ISSUES RAISED BY THE SELECTION AND INTRODUCTION OF A COMPANY INFORMATICS SYSTEM

Regina REICHER
Szent István University, Faculty of Economics and Social Sciences, Hungary
reicher.regina@gtk.szie.hu

ABSTRACT

In order to ensure long-term success, companies place more emphasis on keeping their existing customers than they do on acquiring new ones. The application of company informatics system solutions makes possible the automation and support of this strategy. The introduction of a company informatics system requires significant company resources. It may mean a significant burden both in terms of time and workforce. The success of the introduction is in the interest of all parties; therefore it is necessary that the company start the process of preparation and introduction with great care to avoid failure. The possible issues raised in the phases of this cycle can be grouped according to the viewpoint of the software producer, the distributor, and the company. The analysis and presentation of the reasons for failure can help companies considering implementing informatics system avoid failure. When potential problems are illuminated, they are easier to avoid. I have made a case study with a company and I would like to present my experiences and observations. In my lecture I will present the results of my research, the most frequent issues experienced, their causes and the ways to avoid them.

Keywords: company informatics system solutions and processes, anomalies of introduction, objective aspects, support, education, case-study

INTRODUCTION

In the last decades we could witness an extremely fast spread of IT systems. This is, on the one hand, due to great leaps in technological development, and on the other hand, due to the fact that the data processing needs of enterprises have risen significantly, which is in itself due to accelerated changes in the market and technologies. The importance of information is shown by the fact that enterprises spend in average 2% of their revenue on IT systems, and this rate is 10% in the case of market leaders.

From May 2004, Hungarian companies have to operate on the internal market of the EU. This opens up new chances, but means a stronger competition as well. Our competitors have great experience in optimizing management, improving customer fidelity and improving profitability despite rising costs. One important instrument in achieving these goals is the setting up of an IT background which performs a part of the job of the employees, thereby freeing up time for understanding customers and customer needs, improving the efficiency of production and stockpiling, and generally addressing problems that arise. Many managers (especially the leaders of small companies) find it unimportant to
introduce complex systems as the relatively simple processes of their companies do not seem to need robust solutions. However, even in the case of small companies it is worth considering whether the introduction of a smaller system based on standard procedures would yield advantages for the company.

There are several factors to be taken into consideration when choosing software. These include the hardware platform, the operation system, the type of the database management system, the number of languages supported, the time required for the introduction, the revenue of the company, the number of employees and of course the modules in the software. The comparison of several system shows that the functional setup of the various business management systems are similar. Usually the following modules can be distinguished (sometimes under different names): finance, asset tracking, sales, production, project planning, maintenance, quality assurance, HR, and maybe CRM.

**BEFORE CHOOSING A SYSTEM**

Once the decision was met that it is necessary to introduce an IT system, the first step is to set up a professional team which participates in the process of selection as well. Among other tasks, the task of the team is to set up the system of criteria that will help in making an objective decision.

Various types of ERP and CRM systems are available on the market. Their number is growing, the supply is getting broader and broader. In order to choose the right system, the company has to know and model its internal processes (*Figure 1*). It has to know whether a general ERP system or some industry-specific solution would support its work best. It should have a clear picture whether it needs a customer and interaction registry or a process-based CRM system. One has analyze how specific the internal procedures are, and whether the needs can be fulfilled by an „off-the-shelf” solution or custom software development is necessary.

It has to be identified which processes or process elements can be modified, replaced or reorganized. The introduction of new software always prompts for the rationalization of internal processes, as this is a good opportunity to reconsider and possibly improve the operative structure of the company.

Of course, the required IT knowledge, too, may be an important factor influencing the choice. The time required for the introduction may be up to 3 to 6 months. In this time, employees may be subject to extra tasks. One has to weigh what burden the employees working at the various units can take, what IT background they have, how much learning and instruction is required in order to introduce the new software.

Naturally, the company would not like to lose its existing database on its products, customers, previous transactions, etc. Therefore, the issue of data migration is of great importance. However, one should not forget that this may be a good opportunity for clearing the database as well.

It is important to be informed on the support services and patching offered by the software company or the distributor. Setting up an IT system is more than installing the software. It may be necessary to establish the required infrastructure as well.
These factors should be properly weighted by every company. A hierarchy of these factors should be set up and the offers of the market should be evaluated based on this system, leading to an optimal decision.

Our interviews with the leaders of IT companies show that there is a generic problem during the introduction of CRM systems: the lack of a client handling strategy. Companies usually expect the software to solve this issue, however, the software is only able to support an existing concept. In the case of the introduction of an ERP system, the same is true for the logics behind the operation of the company. These logics have to be clear, possibly simple and understandable to all. The product of choice will only fit to the operation of the company if the leaders have clear short and long term goals and choose a software according to these.

Often, however, it’s not the real demands that influence the factors for decision-making. Other factors influencing the decision include the company size, industry-specific issues, the money available, etc. The company Forrester Research performed and published a study in 2006 analyzing the importance of various factors determining the selection of a CRM system. The results of the study clearly show that the most important factor is „easy usability” which is rather hard to define. „Colours” and „the window system” are neither the most optimal decision-making factors in the case of an investment of this magnitude. Of course it is important that the user should be able to easily navigate in the program, however, one should not forget that these software are not produced for home users (IT-Business, 2003).
On the other hand, „improving and supporting the operation of the marketing unit” was considered to be an important factor by less than half of those questioned. Also, the „support of the contact centre or the consumer service” neither got the prestigious first place. Interestingly, the least votes were given for the „support of channel management” whereas a CRM system greatly supports marketing the products through a variety of channels.

After the hierarchy of these factors was set up, and the opportunities were evaluated, and finally, the decision was made, the company faces new problems.

**AFTER THE SYSTEM HAS BEEN CHOSEN**

After the company has chosen a product from among the innumerable options, the next step is deciding on the time of introduction. This starts a certain period of parallel operation, meaning that if the company previously had some kind of a business management software or an integrated IT system, that will be continued to be used, however, the new system will start to operate as well.

This test period may mean a significant burden for the employees, therefore, care should be taken that it does not last too long.

It is very important that the leaders on all levels should be convinced of the usefulness, effectiveness and necessity of the new software. The negative attitude of the employees is among the top reasons for failed introductions. Privileged access to information may lead to special positions within a company. However, after the introduction of an integrated system or a CRM system, it is much harder to have privileged information, as all information is easily available via access rights. Therefore, the previous „guardian” of the data loses its position. More generally, employees are often concerned during the introduction of a new system that their job will be superfluous and will be lost. However, experience shows that the introduction of new software do not necessarily lead to laying off employees. This is more due to reorganization or rationalization of processes. In these cases, the professional knowledge of the superfluous employee may be used in other areas – as the introduction of the new IT system brings new tasks as well.

It is very important that all employees should be informed before the introduction of the software on the reasons of the steps to be made, arguing for the necessity of the system and emphasizing its positive sides. They should also be formally involved in the decision-making so that they feel the software and the relevant projects their own. However, one should not forget that the system is not primarily aimed to help the employees. The entire company needs it to retain or to improve its market position. The customers need it to receive proper service, and the leaders need it to have real-time information.

It must be clear that an organization never wants to reorganize or change itself. This can only be performed though the leadership of external persons, and one has to strive to find an optimal solution to the resistance that will inevitably rise.

It is important that the leadership has a clear picture on the personal competences of the employees. The reorganization during the introduction of the software is a good opportunity to reconsider who fits which job. The introduction of the software may free up resources which may be put to use in other areas.
The limits of the project should be exactly defined, both in financial and development terms. To achieve this, the team members should express correctly defined, realistic and well considered demands towards the software developers. The introduction project should have a well planned, realistic schedule in which all steps of the introduction are detailed, indicating dates, periods and content. Timing may be of essential importance, as it is not indifferent in which period in the life of the company we put a burden on the employees.

CASE STUDY

In the first quarter of 2009 a company leader had the idea that he would need a new business management system. That means that the company already had a basic, DOS based system that was mainly focused on asset tracking. The program did not support procurement or delivery in any form. This software was an own development which was used by everybody with the same access rights. An external system administrator added upgrades if it was necessary. It was operating on a server-client basis. It did not perform any bookkeeping tasks, bookkeeping was outsourced.

The introduction of the new software took almost a year; an industry-specific software was introduced.

The company was founded back in 2001 and when the software was introduced, there were 15 employees working in various separated fields. Therefore, everybody had (or would have had) different expectations towards the software.

The hardware was rather well developed at the time the introduction was started. This was due to the fact that the leader of the company felt the pressure for IT development and bought new computers every 2-3 years. However, this has lead to a situation where there were great differences in the setup and performance of the computers. The computers were linked in a Novell network and this was not intended to be changed in relation to the introduction of the new software.

The database, which had been constantly growing in the last 8 years, contained the data of 8000 customers. However, the database was not cleared. The leader of the company claimed that 300-350 active clients may be in the database. Still, the database remained uncleared, and it was uploaded into the new system without any changes. Therefore it was impossible to separate the old clients and to motivate them for new purchases via a possible marketing campaign.

The manager (and company owner) negotiated with 2 companies. The IT companies were recommended by an other trading company with a similar profile. This is very typical in the case of industry-specific software. The chosen software was not completely unknown to them, as they have already used it from the client side for placing orders at business partners. They also made a reference visit at one of the partners to see the program in operation.

When making the decision, the owner had a loosely outlined set of preferences. He was sure that he needed a special software, as the introduction of the standard solution would have taken too long.

The decision was taken exclusively by the owner, the opinion of the employees was not asked in any form. The assessment visits of the IT company were performed in a
period when the company was executing a large scale investment. The assessment interview was mostly performed by the manager. The old software was introduced and through this, the demands towards the new software were displayed. The leader of the IT company did not take any notes and frequently stated that their software uses processes based on the same principles. It was clear that he is not planning a development but rather trying to make his existing software accepted exclusively. This way he forced the introducing company to make sometimes too big compromises.

The contract was drafted by the software company; it contained deadlines, conditions and schedule for a test period and the final activation, as well as payment conditions concerning the assessment, education and activation. However, the deadlines could not be kept as neither the IT company, nor the company requiring the introduction of the software handled the process as a project. Ad hoc deadlines were set, which frequently changed depending on the schedule of the participants. The IT company often missed the deadlines, probably due to the lack of resources. They were late for meetings, and it also happened that they cancelled the meeting on phone at the moment when it should have started.

Nobody was appointed as being responsible for the introduction at the company. The owner tried to arrange everything alone. This meant a great burden for him. He was often stressed and tired, and as a result, he did not handle well the negative reactions of the employees about the program. He did not take the emotional reactions of the overburdened employees into consideration. In the last phase of the introduction, every single employee was unhappy with the solutions offered by the software.

At last, the software was introduced with almost 4 months of delay. Costs surpassed the budget by approximately 15%. Neither the managers, nor the employees were entirely satisfied. This would not have happened if they would have considered the basic rules of the methodology of introducing new software.

CONCLUSION

When a company decides to introduce an integrated system, it has to answer tough questions. A suitable team has to find solutions to a number of problems to achieve a result where, at the end of a successful project, a well operating software supports the work of the company, a software that fulfils as many needs as possible. One of the basic conditions of choosing the most appropriate software is understanding all processes and specialties of the company. One has to clearly see which steps can be eliminated or replaced, and which are indispensable for the effective work. In the case of some industries, the existing specialties demand such a high amount of specialized development that it is safe to claim that industry-specific software if the best to address the issues that arise here.

REFERENCES

(Morgan kaufmann is an imprint of Academic Press)

Online reference:
www.itbusiness.hu