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Nurturing clients' trust to encourage engagement success during the customization of ERP systems

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Abstract

Customization is a crucial, lengthy, and costly aspect in the successful implementation of ERP systems, and has, accordingly, become a major specialty of many vendors and consulting companies. This study examines how such companies can increase their clients' perception of engagement success through increased client trust that is brought about through responsive and dependable customization.

Survey data from ERP customization clients show that, as hypothesized, clients' trust influenced their perception of engagement success with the company. The data also show that clients' trust in the customization company was increased when the company behaved in accordance with client expectations by being responsive, and decreased when the company behaved in a manner that contradicted these expectations by not being dependable. Responses to an open-ended question addendum attached to the survey corroborated the importance of responsiveness and dependability. Implications for customization companies and research on trust are discussed. © 2002 Elsevier Science Ltd. All rights reserved.

Keywords: Perceived responsiveness; MRP II implementation; Trust; Integrity; Benevolence; Ability; Dependability

1. Introduction

Enterprise Resource Planning (ERP) systems have changed many aspects of Information Technology (IT) implementation [1], including an increased dependency on vendor and consultant support in the customization of these complex IT [2]. This dependency—reinforced by the intricate complexity of ERP systems and by the specialization involved in customizing them to each client's unique market and specific work procedures—has led to the proliferation of companies that specialize in ERP customization. As in other service industries, it is in the interest of these customization companies to increase their clients' trust in them and through it to encourage their clients' perception of having a successful engagement with them. Such a relationship could also increase the customization company's reputation and market-share and provide it with other

strategic business benefits, primarily the drastic reduction in negotiation costs, transaction costs, and control costs, as well as client preference to do more business with the company, even at a premium price because of the value of a trust-based relationship [3].

Indeed, client trust should be a central ingredient in this relationship because the relationship between ERP customization companies and their clients is typically a relationship characterized by client dependency on and limited control of the customization company and the quality of its work. Often, this dependency is further increased by the client's limited ability to monitor the quality of the customization while it is still in progress, that is before the software has been actually deployed [4,5]. This dependency has also been noted by industry reports of ERP completion problems [6–9]. In many comparable business interactions involving dependency and a limited degree of control, trust is a central issue governing companies' expectations from business relationships [3,10,11]. Moreover, companies prefer to engage in business agreements with other companies that they trust

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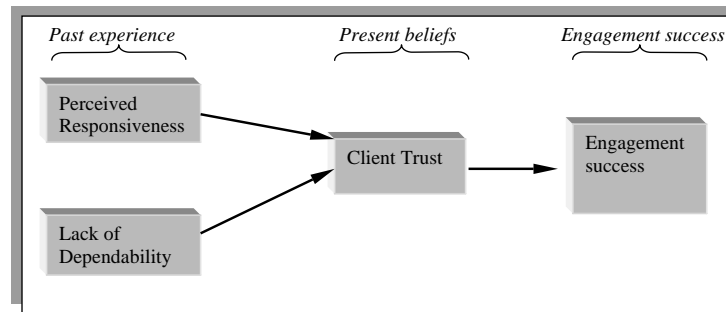


Fig. 1. Research model.

and to decline such relationships with companies that they do not trust. Trust is the expectation that other people or companies over whom one has little or no control will fulfill their expected commitments [12–15] in situations that involve a significant risk or potential loss [13,16].

The objective of this study is to examine how customization companies can influence their clients' trust and the downstream effects of this trust on their clients' perception of having a successful engagement with the customization company. The study examining two antecedents of this trust: perceived responsiveness and perceived lack of dependability. Perceived responsiveness measures the clients' assessment that the customization company is customizing the IT as requested. Perceived lack of dependability measures the clients' assessment that the customization company does not keep promises and is not open about what is going on.

The conceptual background of the study presents the research model and then elucidates the nature of trust, its effects on clients' perception of engagement success, and its antecedents. Hypotheses are developed within the context of ERP customization. Next, the research design considerations, data collection and data analyses are discussed. The study concludes by discussing the results and their implication for industry and for research on trust.

2. Conceptual background and research model

2.1. Research model

The research model is presented in Fig. 1. Client Trust in the customization company *in the present* mediates the effect of *past* Perceived Responsiveness and of Perceived Lack of Dependability on the clients' perception of engagement success with the customization company. The next sections discuss in detail the conceptual background of the model and its hypotheses.

2.2. The nature of trust

People like to control or at least predict their environment and the outcomes of their actions. This is not always

possible, however, with regard to the behavior of other people and organizations, because of the large number of possible, and sometimes unpredictable, behaviors that other people might engage in. One of the ways that people overcome this complexity, inherent in their interactions with other people, is through trust. Trust enables this by allowing people to rule out many possible behaviors, some of which may very well be undesirable, that other people and organizations might engage in, thereby greatly reducing the complexity of the interaction with others and thus making a rational prediction of behavioral outcomes possible [12,17,18].

Trust is the *belief* that a trusted party (another person, persons, or organization) over whom one has little or no control can be depended upon to fulfill its commitments, especially in a situation involving loss if this trust is broken [12,13,19,16,14,18,20,21]. Trust is therefore "an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied on" [20, p. 444]. In business scenarios, this behavioral expectation is manifested in the belief that the trusted party will behave ethically [14], dependably [22], and fairly [23], and so justify the trusting party's willingness to depend on the trusted party [15]. In other words, trust deals with present beliefs about the trusted party upon which people base the nature of their future relationship with the trusted party.

Research in psychology, management, and marketing has focused these beliefs on three interrelated beliefs that assess the integrity, benevolent intentions, and ability of the trusted party [12,16,14,15,24]. However, the precise nature of the expectations that compose these trust-beliefs depends on the specific scenarios [18]. Ability, for example, is an important aspect of trust in many business interactions [10] but is not an aspect of trust in marriage [25]. Moreover, even in business relationships, the precise definition of ability depends upon the nature of the task involved. In a like manner, the precise meaning of benevolent intentions and integrity may differ from one scenario to another: for example, benevolence in a one-time business transaction is not the same as benevolence among long-term business partners [3]. Indeed, research has

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