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Coping with ERP-related contextual issues in SMEs: a vendor's perspective

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Abstract

From an ERP vendor's perspective, this paper analyzes what can be done to address contextual issues relating to ERP implementation. The case of UFSoft, a Chinese ERP vendor, reveals three strategies that could be useful for achieving fit between ERP systems and adopting organizations. First, ERP systems need to be localized to reflect the local management features. Second, ERP systems should be customizable at a variety of levels. Finally, BPR should be carried out in an incremental manner, taking the dialectic of organizational learning into account. A significant contention is that IS researchers and practitioners should consider companies' stages of growth as a contextual factor when conducting ERP research or implementing ERP systems.
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1. Introduction

Enterprise resource planning (ERP) systems, which are commercial software packages that enable the integration of transactions-oriented data and business functions throughout an enterprise, hold the potential of greatly enhancing organizational performance and establishing competitive advantage (Davenport, 1998). However, the benefits of ERP cannot be easily acquired and inconsistent ERP outcomes have been reported (Hayes et al., 2001; Hitt et al., 2002; Hunton et al., 2002; Mandal and Gunasekaran, 2002; Palaniswamy and Frank, 2000; Vogt, 2002). Recently, interactions between ERP systems and

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the context in which they are used emerged as an interesting topic. For example, multi-national corporations' ERP implementations are complicated by multi-site disparities and suggesting issues related to each site's institutional context need to be considered (Markus et al., 2000b). Moreover, large ERP vendors such as SAP, Oracle, and PeopleSoft are expanding their market shares worldwide. They also need to resolve conflicts between their ERP systems and various local contexts.

The majority of past research on ERP has focused on critical success factors and implementation processes for ERP projects. Having assumed the legitimacy of ERP systems, these studies have taken it for granted that organizations should carry out organizational change to absorb the 'best practices' embedded in ERP. However, ERP may not be a universal solution. Davenport (1998) incisively asserts that companies are not likely to achieve the profits promised by ERP unless a fit is established between the companies and their ERP systems. The misalignment problems between ERP and organizations have become increasingly exposed (Hong and Kim, 2002; Sia and Soh, 2002; Soh et al., 2003), especially in the Asian context (Davison, 2002; Soh et al., 2000). Soh et al. (2000) recommend that 'there is a need to recognize the unique Asian context when adopting an ERP system, since the embedded business models typically reflect a bias toward Western practices.' Following Soh et al.'s thought, we contend that the generic solution proposed by ERP systems is unrealistic when it is applied in a fundamentally different context, and not only implementing companies but also ERP vendors should take responsibilities in seeking avenues to achieve the organizational fit of ERP. This paper presents our attempt to explore how a Chinese local ERP vendor has been able to achieve a certain level of success in the small and medium-sized enterprise (SME) segment of China's ERP market. Our in-depth case analysis shows that successful ERP vendors tend to better accommodate contextual factors such as history, culture, social value, and management style in their ERP systems and implementation strategies.

This article can potentially contribute to the understanding of ERP adoption and implementation because of its novel research perspective. Although much research has been conducted from ERP adopting companies' standpoint, little research has taken a vendor's perspective. Our intent is to break the stereotype of taking ERP for granted and study the IT artifact (Orlikowski and Iacono, 2001). Most past researchers have presumed legitimacy and applicability of ERP and attempt to help companies better exploit the generic best practices embedded in ERP without considering if there is an ERP-organization fit. By contrast, we believe that there is no such set of generic best practices and ERP vendors should change their mindsets when deciding their system development and marketing strategies. This understanding of ERP will urge ERP vendors to rethink their products and possibly aid them to increase their market shares in culturally different markets.

2. Literature review

Since ERP implementation is such a complex phenomenon involving technical, social, and political issues, both its processes and outcomes are dynamic and difficult to define. It is important to examine the ERP knowledge that has been accumulated in