

**HUMAN RESOURCE MANAGEMENT CHALLENGES FACING
KENYA PIPELINE COMPANY IN THE IMPLEMENTATION OF
ENTERPRISE RESOURCE PLANNING**

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than University of Nairobi for academic credit

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Approval

This project has been presented for examination with my approval as the appointed supervisor

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DEDICATION

This work is dedicated to Kenya Pipeline Company, my husband Frankline, Daughters Shellmith, Lindsay and Caroline who have all been a great source of inspiration and encouragement to me.

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My foremost gratitude goes to our almighty God for enabling and guiding me through my academic life.

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ABSTRACT

In 2004, Kenya Pipeline Company started implementation of the Enterprise Resource Planning (ERP) System to improve efficiency in its operational systems. The implementation process is still on-going. This study determined the challenges faced by company in the implementation of Enterprise Resource Planning. A case study design was adopted with a focus on descriptive of characteristics and status of Enterprise Resource Planning implementation at Kenya Pipeline Company. An interview guide was used to obtain information from the respondents.

This study revealed that Enterprise Resource Planning implementation has been successful. 72% of respondents indicated that Enterprise Resource Planning has improved processes, resulting to a high degree of efficiency. The study findings indicated that the human resource challenges facing Kenya Pipeline Company in the Enterprise Resource Planning implementation are lack of proper consultation with the stakeholders including the junior staff who interact with Enterprise Resource Planning on daily basis, failure to introduce the Enterprise Resource Planning system and operations to the staff before implementation, lack of proper training on Enterprise Resource Planning to staff, lack of creating demand stimulation program prior to implementation so that the Enterprise Resource Planning is demand driven as opposed to supply driven, complexity of Enterprise Resource Planning system due to failure to conduct an organization audit prior to implementation process, entrusting the process to outsider (constant) with little committed leadership into the process, lack of addressing organization culture such as political interference and failure to ensure appropriate system and tool that would support the implementation process such as rewarding systems and preparing implementation manual for relevant staff.

The study suggested recommendations for improvement including conducting sensitization and awareness programmes targeting the relevant stakeholders in order for them to appreciate the Enterprise Resource Planning operations and embrace the system, develop job on training programmes for the staffs in order for them to update themselves with the changing Enterprise Resource Planning system technology, institute proper supportive systems such as performance based pay and promotions geared towards recognition of the staff involved in the implementation processes and also to those working with Enterprise Resource Planning system and dealing with inhibitive cultural practices such as improving encouraging professionalism among staff, impartial in decision making and un-receptive to politics.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Strategic management of human resources is one way an organization may use to increase their competitiveness in the new organizational landscapes: managing in a global marketplace, introducing new technology, developing organizational knowledge, improving customer service and product quality, and reducing production costs requires organization to consider their "human equation" (Armstrong., 1991).

Strategic human resource management has gained popularity over the past decade, specifically with respect to the debate on human resources management and performance. According to Beer, M. *et al* (1984), there is a general agreement that i) human capital can be a source of competitive advantage, ii) human resources management practices have the most direct influence on the human capital of a firm, and iii) the complex nature of human resource management systems of practice can enhance the inimitability of the system. For any organization to be a strategic leader, the human resources in that organization must be highly efficient and effective. Management can buy their workers time, their physical presence at a given place, their measured skilled muscular motions per hour or in a day but they cannot buy their workers enthusiasm, initiatives, innovation, loyalty and devotion to work.

The great majority of employees are quite enthusiastic when they start a new job, but in most organizations, employees' morale sharply declines after their first few months and continues to deteriorate afterward. The fault lies squarely at the feet of management both the policies and procedures companies employ in managing their workforces and in the relationships that individual managers establish with their work force. These policies and procedures are designed to attract, motivate and retain the right kind of people. Organizations to achieve these goals and objectives, they have to constantly adjust to their environment (Pearson & Robinson 1997, Lee, 2001). This environment is turbulent, constantly changing, and it makes it necessary for organizations to adapt their activities in order to survive. Organizations that will not adapt to meet environmental challenges will experience strategic problems

To confront the demands of changing human resource environments, organizations are increasingly turning their attention to particular information technology systems types known as Enterprise systems (ES). One among several types of Enterprise Systems is Enterprise Resources Planning (ERP) system (Klaus et al, 2000). Enterprise Resources Planning systems are popular because of their extensive use of with information systems (IS) (Steves and Pastor, 2001; Mabert et al 2003) and because of their strategic/operational improvement capabilities enabling firms to tackle the ever changing business environments (Davenport, 1998; Markus and Tanis, 2000; Mabert et al 2003). ERP systems are packaged, complex business suites designed to integrate business processes and functions in a real-time environment (Markus and Tains, 2000; Klaus et al, 2000). They are implemented as a strategy of improving the performance in organization or company.

1.1.1 Enterprise Resource Planning

Miller (2003) defined Enterprise Resource Planning as a new kind of manufacturing system that had material resource planning, finance and human resources fully integrated on a single database. Another definition was proposed by Sammon and Adam (2000) who have said: "Enterprise Resources Planning systems are integrated enterprise-wide software packages that use a modular structure to support a broad spectrum of key operational areas of the organization".

Enterprise Resources Planning systems have become essential in helping organizations deal with changes in global economies and the business enterprise. Information systems provide firms with communication and analytic tools for conducting trade and managing businesses on a global scale. Information systems are the foundation of new knowledge based products and services in knowledge economies and help firms manage their knowledge assets. Information systems make it possible for businesses to adopt more flexible arrangements of employees and management that can coordinate with other organizations across great distances. According to Armstrong (2005) organizations are trying to become more competitive and efficient by transforming themselves into digital firms where nearly all core business processes and relationships with customers, suppliers, and employees are digitally enabled. The Internet is bringing about a convergence of technologies that is further widening the use of information systems in business and transforming industries and business models.

From the business and strategic perspective, implementing Enterprise Resource Planning is seen as way to improve corporation's effectiveness and efficiency, reduce their operating, personnel, inventory and information technology costs, and improve their productivity, business growth, production scheduling, delivery time, customer service, and overall quality. Additionally, data visibility and timely information is important to make better business decisions (Ross, 1999).

The main advantage of Enterprise Resource Planning is that it provides a common integrated platform for the business processes. These systems have two important features. Firstly, they facilitate a casual connection between a visual model of business processes and the software implementation of those processes. Secondly, they ensure a level of integration, data integrity and security, which is nor easily achievable with multiple software platforms (Ross, 1999). Armstrong (2005) indicates that expected benefits of Enterprise Resource Planning systems include quicker retrieval of personal details about individual employee including career history, skills and qualifications, leave and absence records quicker information response time, increased interaction across the enterprise, holds details about employees jobs including grades, pay and benefits, job descriptions or role definition, produce reports summarizing different aspects of this information. Enterprise Resource Planning system has efficiently influenced is the recording and analysis of absence, attendance and labour turn over, recruitment and training administration, job evaluation, internet recruitment systems, disciplinary records among other functions. Enterprise Resource Planning system may completely integrate with payroll, or more commonly they maintain a direct link making the payroll management efficient (Armstrong, 2005).

According to Winslow & Bramer (1994) organizations are on a constant quest for the best way to be competitive, productive, efficient, cost-effective, profitable and successful. The information infrastructures of companies continue to mature and data quality and data management improves, which increases the need for more data driven, support and decision making systems, such as fully integrated Enterprise Resource Planning Systems.

1.1.2 Human Resource Management challenges in the Implementation of Enterprise Resource Planning

Implementation of Enterprise Resource Planning can encounter many challenges including inadequate resource allocation (such as skills and knowledge, time, financial resources,). It is argued, therefore, that the route to implementation requires the optimal utilization of all its resources: human, financial and technical. In Enterprise Resource Planning System implementation, the organization must have competent personnel, adequate skills, competent capabilities, and effective internal organization. Thus recruitment of staff with required skills is requisite to Enterprise Resource Planning implementation. Others are well integrated communication strategy, capacity building among staff and appropriate reward system in the organization. Thompson and Strickland (1996) note that building a capable organization is usually a top priority in strategy execution. Some of the organization-building actions include the following: Selection of able people for the key positions, building core competences, and reengineering business processes.

Training is expensive and underestimating the needs and the requirements are the reasons for exceeding the budget. Skilled employees tend to switch their jobs and training of new employees will remain a continuous effort. However, the importance of training cannot be neglected and it is not something that should be conducted only before or after the implementation but rather it has to be present in each part of the Enterprise Resource Planning life cycle (O'Leary, 2000).

Organization culture, according to Thompson and Strickland (2003) there are a number of unhealthy cultures that result to low performance. These are internal environment that allows influential managers to operate their units autonomously and resist required change, the hostility to change and to people who champion new ways of doing things and the promotion of managers who understand structures, systems, budgets, and controls better than how they understand vision, strategies, inspiration and culture building.

Communication is the mechanisms that send formal and informal messages about the new strategy. Peng and Littlejohn (2001) point out that communication and cooperation between diverse participants within an organization have been recognized as crucial elements to maintain organizational stability and adaptation to change. Organizational communications play important roles in training, knowledge distribution and learning in the process of strategy implementation. Okumu (2003) observes that they may serve as important or even critical knowledge

distribution/learning channels in developing new competencies, and as "supporting" networks by which local staff gain motivation and confidence. However, Peng and Littlejohn (2001) argue that effective communication is a primary requirement of effective implementation but it does not guarantee the effectiveness of implementation.

Reward systems are necessary in order to motivate individual's e.g through performance related pay Gram and Bennett (1998). Brown (2001) suggests that: "reward strategy is ultimately a way of thinking that you can apply to any reward issues arising in your organization, to see how you can create value from it". A well managed reward system helps the organization to achieve its goals by helping to ensure that it has the skilled, competent, well motivated and committed people it needs.

Human resources are now seen as the primary source of an organization's competitive advantage. Therefore, the way people are treated increasingly determines whether an Enterprise Resource Planning implementation will succeed and prosper or even survive (Lawler, 2003)

1.1.3 Kenya Pipeline Company Ltd

Kenya Pipeline Company (KPC) was established in 1973 under the State Corporations Act Cap 446 of the republic of Kenya. It has a staffing capacity of 1590 members of staff. The company is mandated to construct, transport and store and transport petroleum products. It uses pipelines to transport products to different parts of the country. Kenya Pipeline operates a pipeline system for transportation of refined petroleum products from Mombasa to various parts of the countries. The company role is to efficiently, economically and safely transport, store and deliver petroleum products to customers, optimizing shareholder value, with utmost respect for the environment. In collaboration with the Government, the company assists in the fight against fuel adulteration and dumping, and ensures efficient operation of petroleum sub-sector. In effort to offer seamless services to its clients, Kenya Pipeline Company utilizes advanced technology for pipeline control, instrumentation and telemetry, information management and communication

In the advent of structural adjustment programs (SAP) in 1990 the government started radical public sector reform to enhance accountability, financial and economic development, especially in the state owned enterprises. Kenya Pipeline Company being among these enterprises was not left behind and since then the company has continued to take measures to modernize its internal process. The

company acknowledges that to optimize its performance as a whole, both the technical and behavioral components need attention. Its employee needs to be trained and educated on Information Communication Technology to allow technology to operate and prosper (Orlikowski, 1994). In the spirit of offering seamless service to its clientele the company considered adopting and implementing the Enterprise Resource Planning System as a strategy to improve its overall performance. Implementation of Enterprise Resource Planning System at Kenya Pipeline Company is on going. Enterprise Resource Planning System is expected to interlink the entire department in the company. After its successful implementation, Enterprise Resource Planning System will serve as the Kenya Pipeline Company repository for all data and information, provide easy access to information for the business community (facilitate transparency), provide timely, correct and complete information to all relevant stakeholders, be a tool for sharing information among employees and other authorities, and serve statistical purposes by sorting information by business code and geographical codes.

1.2 Statement of the Problem

To improve efficiency in its operational systems Kenya Pipeline Company undertook to adapt and implement the Enterprise Resource Planning System. Implementing an Enterprise Resource Planning system is generally an extensive challenge, with a typical Enterprise Resource Planning implementation taking anywhere from one to five years (Poston and Grabski 2001). Implementation of Enterprise Resource Planning extends from the setting up of the project to fully operation of the system. If not well implemented, the operational functionality of the Enterprise Resource Planning becomes a major problem to the entire organization. The performance of the firm will get worse before it gets better and firms are expected to encounter the resistance throughout the stages of Enterprise Resource Planning system implementation (Ross, 1999).

Given the critical importance of Enterprise Resource Planning on the Kenya Pipeline Company performance, service delivery, strategy staff communication, standards of internal processes, employees, operations (process), competitiveness it is natural to examine factors that would affect its implementations. This is because, there are challenges confronting Kenya Pipeline Company despite the modernization of its internal processes through information communication technology and the adoption of the recent performance measurement and evaluation techniques. These challenges include failure to meet its market demand targets which are urgently needed for the economic

growth and development. There has been delays in Kenya-Uganda Oil Pipeline linking the two countries and possibly extend to other countries which is expected solve oil shortage in the region. Also, there is limited deployment of systems such pumping, storage and other facilities and such other plant, equipment and installations, movable and immovable, as the Company may consider desirable and to manufacture, construct, maintain or modify any of the same. In addition the procurement processes of equipments, systems and man power has been slow occasioning delays in project implementation.

A number of studies have been done on Enterprise Resource Planning System. Nyandiere (2002) studied the challenges facing Enterprise Resource Planning. Nyaga (2006) studied the critical success factors for the successful implementation of Enterprise Resource Planning systems. The types of Enterprise Resource Planning system studied by these studies are different from Enterprise Resource Planning system implemented by Kenya Pipeline Company. While the Enterprise Resource Planning system studied is Oracle type, Kenya Pipeline Company has implemented SAP type. Generally companies choose one ready-made package available for their industry but it is also common to select the modules that best meet their needs. SAP type is the most current and more interactive than oracle. Their implementation process of the two differs on organisation operations. Kang'ethe (2007) studied evaluation of the successful implementation of Enterprise Resource Planning at Haco industries. However, no study has been conducted on the human resources management challenges in the implementation of Enterprise Resource Planning at Kenya Pipeline Company. This is the knowledge gap this study intended to fill.

1.3 Objective of the study

To determine the human resource management challenges faced by Kenya Pipeline Company in the implementation of Enterprise Resource Planning.

1.4 Significance of the study

- i The finding of the study would be useful to the company in that; Kenya Pipeline Company could improve and encourage the use of Enterprise Resource Planning in the feedback process of the performance management system. They can influence the company to consider

a more structured approach to Enterprise Resource Planning that would enable the high performance culture it strives to attain.

- ii. The study provides knowledge on anticipated challenge to Management of organizations aspiring to implement Enterprise Resource Planning. This study add to existing literature on Enterprise Resource Planning implementation, and academic researchers would use these findings as the basis of conducting related studies on Enterprise Resource Planning systems. It is hoped that future research can be directed to the confirmation of these findings.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter reviews various issues on enterprise resource planning implementation. To begin with, it reviews characteristics of Enterprise Resource Planning as strategy to improve performance. Then its implementation process follows. The essential ingredients (Factors) in implementation of Enterprise Resource Planning are discussed next before the outlining the chapter summary that states the study gap. A conceptual framework for the study is represented at the end of the chapter.

2.2 Enterprise Resource Planning

From a technical point of view, Enterprise Resource Planning systems are based on a client / server architecture providing support to integrated business processes across organizational functions. Stefanou (2000) defines Enterprise Resource Planning software as a set of customizable and highly integrative real time business application software modules sharing a common database, which support core business, production and administrative functions, such as logistics, manufacturing, sales, distribution, finance and accounting.

Enterprise Resource Planning's provide a transactional backbone to the organization that allows the capture of basic cost and revenue related movements of inventory. In so doing, Enterprise Resource Planning systems afford better access to management information concerning business activity, showing actual sales and cost of sales in a real-time fashion. Kalakota and Robinson (1999) stress that the popularity of Enterprise Resource Planning systems has stemmed from the fact that they appear to solve the challenges posed by portfolios of "disconnected, uncoordinated applications that have outlived their usefulness". Holland *et al* (1999) agree, stating that one of the major reasons for the shift towards Enterprise Resource Planning packages is the need to deal with legacy systems.

Enterprise Resource Planning's are designed for multi-site, multi-national companies, which require the ability to integrate business information, manage resources, and accommodate diverse business practices and processes across the entire organization. Wood and Caldas (1999) found in their survey of 40 organizations having implemented Enterprise Resource Planning that the main reason to implement ERP was the need to "integrate the organizations processes and information". According to O'Leary (2000) Enterprise Resource Planning systems are, a packaged software system designed

for the client environment, the integration between the modules and across entire organization, access to data in real time, data storing and retrieving processes in an enterprise-wide database, and management and analysis functionalities. Enterprise Resource Planning systems are expected to have additional characteristics such as support for multiple currencies and languages, which is critical for multinational companies, and support for specific industries, for instance, oil, gas, banking, health care and chemicals industries

The major reasons driving companies to choose Enterprise Resource Planning are related to improve firm's performance and decision making, to reduce labor costs, bureaucracy and errors. Other reasons are: pressure from the side of the competitors, business partner requirements wishing to receive faster service, integration between units, and organizational standardization across different locations and globalization of businesses. However, for each company the motivations for implementing Enterprise Resource Planning are different as well as their priority order depends from the nature of the projects. O'Leary (2000) has grouped the reasons into four types of categories: technology, business practices, strategic and competitive. Holland et al (1999) have recognized three main dimensions: technical, operational and strategic.

2.3 Process of Implementing Enterprise Resource Planning

May and Kettelhut (1996) proposed a number of steps that implementation caused problems could be avoided. Companies should conduct an identity audit on what are their employees believe to be central about the company they work for before undertaking major reforms. Such as identity audit, for instance in this case study, would have uncovered the employees believes about their roles, the importance of their visibility in the process and their assumptions about promotions. According to May and Kettelhut (1996) open communication and collaboration are essential to clarify expectations and reduce ambiguity, and build acceptance and commitment.

The implementation process would be much smoother, if all the changes would not be implemented simultaneously but gradually. When the employees are involved already at the early stage of the major change process, the quality of solutions is increased, the employees show greater commitment and acceptance, conflicts are reduced and the likelihood of smooth implementation is greater. Early involvement and participation will increase the employees ownership of the new process, attention to the basic principles of change management makes the implementation easier, employee fears that

jobs will be eliminated have to be addressed, and most of the projects fail because job losses create long-term problems.

In order to achieve the integration of all the basic units of the business transaction, Enterprise Resource Planning systems rely on large central relational databases. This architecture represents a return to the centralized control model, where access to computing resources and data is very much controlled by centralized IT departments. Therefore, Enterprise Resource Planning implementations are an inherent part of a general phenomenon of centralization of control of large businesses back to a central corporate focal point. The resulting standardization in business processes allows companies to treat demand and supply from a global perspective, consolidate corporate information resources under one roof, shorten execution time, lower costs in supply chains, reduce stock levels, improve on-time delivery and improve visibility of product assortment with respect to customer demand.

2.4 Benefits of Enterprise Resource Planning

Davenport (1998) stated that large companies collect, generate and store vast quantities of data which is "spread across dozens or even hundreds of separate computer systems, each housed in an individual function, business unit, region, factory or office". These localized legacy systems have a huge impact on business productivity due to the workload of rekeying, reformatting, updating, debugging, etc. When management is relying on information from incompatible systems to make decisions, instinct becomes more important than sound business rationale.

More generally, the growth in popularity of Enterprise Resource Planning systems can also be linked to an increasing business trend towards globalization, mergers and acquisitions. To be successful, a global company must be able to control and co-ordinate their various remote operating units. Accurate, real-time information provided by an Enterprise Resource Planning system has the ability to integrate the more remote subsidiaries into corporate practice because an Enterprise Resource Planning system allows the sharing of information in standard format across departments, currencies, languages and national borders. Thus, Enterprise Resource Planning systems can be used to provide a "common language" between units (Bingi *et al.*, 1999; Horwitt, 1998).

Some of the benefits achieved by companies looking to harness the tight global coordination afforded by Enterprise Resource Planning systems are: streamlining global financial and administrative processes, global lean production model, rapid shifting of sourcing, manufacturing,

and distribution functions worldwide in response to changing patterns in supply and demand or to changing local cost bases, minimize excess manufacturing capacity, and reduce component and finished goods inventory

Davenport (1998) describes how Owens Corning Co Ltd, for example, adopted ES to replace 211 legacy systems. For the company to grow internationally, it was critical to co-ordinate order-management, financial reporting, and supply chain processes across the world. Having implemented the system and established a new global procurement organization, the company is now able to enter into larger more advantageous international contracts for supplies. Finished goods inventory can be tracked daily, both in company warehouses and in the distribution channel, and spare parts inventory has been reduced by 50%. The company expects to save \$65 million as a result of the adoption of these globally coordinated processes.

2.5 Human Resource Management challenges faced by organizations in the implementation of Enterprise Resource Planning

Training and change management are matters that affect all the phases of the Enterprise Resource Planning implementation. Not surprisingly, there are many challenges related to training as each user group has different needs, preferences and learning potential. For instance, the steering committee members need to have a good project overview and general idea about the functionality of the system. Project leaders instead require in-depth knowledge about system's functionality and project management. Users have to learn only those functions that are related to their tasks in addition to the understanding the new processes and procedures (Welti, 1999).

Moreover, training is expensive and underestimating the needs and the requirements are the reasons for exceeding the budget. Skilled employees tend to switch their jobs and training of new employees will remain a continuous effort. However, the importance of training cannot be neglected and it is not something that should be conducted only before or after the implementation but rather it has to be present in each part of the Enterprise Resource Planning life cycle (O'Leary, 2000). According to Okumus (2003), this involves recruiting new staff and providing training and incentives for relevant employees. Gunnigle and Moore (1994) argue that organizations will experience severe problems in strategy implementation if it is not effectively linked with appropriate personnel policy choices. A policy need to be in place that allows for recruitment of new staff as per requirements of the new

business strategy implementation. On the other hand, a new pay doesn't necessarily mean implementing reward practices or abandoning traditional ones; it means identifying Pay practices that enhance the organization's strategic effectiveness. Inconsistencies between what organizations say about their reward systems and what they do will create misunderstanding and not create the behaviours needed for business strategy achievement (Lewis, 2000). Operational planning and resource allocation have a direct impact on this factor.

Leadership is an essential element in effective Enterprise Resource Planning implementation. It is the actual support and involvement of the management in the strategic initiative (Okumu, 2003). According to Pearce and Robinson (2003) two leadership issues are of fundamental importance: the role of the Chief Executive Officer (CEO), and the assignment of key managers. The Chief Executive Officer is the catalyst in strategic management; he is most closely identified with and ultimately accountable for a strategy's success. He represents an important source for clarification, guidance, and adjustment during implementation. Assignment of key managers in implementing strategy is usually a major concern. The right managers have to be in the right positions for the new strategy to be effectively implemented. To ensure successful implementation, this is one tool that Chief Executive Officers are concerned with first.

Leadership is crucial in using process factors and also in manipulating the internal context to create a context receptive to change. It is also understood that implementation is one of the more difficult business challenges facing today's managers (Meldrum and Atkinson, 1998). Within this, management ability, or competence, is seen as an important contributor to achieving this aim. They came up with the idea of developing meta-abilities, a term that refers to personal attributes which underpin, and determine how and when, knowledge and skills will be used. They are the abilities which enable managers to utilize the knowledge and skills accumulated over time or on training courses. They provide managers with the potential to be significantly more influential than might otherwise be the case. As such, they are a vital ingredient in the process of translating organizational imperatives into strategic intentions and effective action. To exert strategic leadership, Thompson and Strickland (2003) have suggested six roles that dominate the strategy implementer's action agenda: Managing by walking around, Fostering a strategy-supportive climate and culture, Keeping the internal organization responsive and innovative, Dealing with company politics, enforcing

ethical standards, and leading the process of making corrective adjustments. Leadership appeared to be the most important skill identified by many researches.

Organization culture is the shared understanding of employees about how they do things within an organization. It can be defined as the set of important assumptions that members of an organization share in common (Pearce and Robinson, 2003). The content of an organization's culture derives from three sources: the influence of the business environment in general, and the industry in particular; founders, leaders, and organizational employees who bring a pattern of assumptions with them when they join the organization; and the actual experience people in the organization have had in working out solutions for coping with the basic problems the organization encounters. Culture affects the way managers behave within the organization, as well as the decisions they make regarding the organization's relationship with the environment, and hence its strategy.

According to Thompson and Strickland (2003) there are a number of unhealthy cultures that result to low performance. These are internal environment that allows influential managers to operate their units autonomously and resist required change, the hostility to change and to people who champion new ways of doing things and the promotion of managers who understand structures, systems, budgets, and controls better than how they understand vision, strategies, inspiration and culture building.

A strong corporate culture founded on ethical business principles and moral values is a vital driving force behind continued strategic success (Sterling, 2003). A company's performance and hence its reputation is put at risk if the company does not care how it does business. Morally upstanding values and high ethical standards nurture the corporate culture in a very positive way. They connote integrity and genuine concern for stakeholders. Once values and ethical standards have been formally set forth, they must be institutionalized and ingrained in the company's policies, practices, and actual conduct. To achieve strategic success, the company should build a spirit of high performance into the culture (Johnson and Scholes, 2002). This calls for the company to instill constructive pressure to perform and a results-oriented culture that inspires people to do their best

Resource allocation also influences the Enterprise Resource Planning implementation. Okumu (2003) defined resource allocation as the process of ensuring that all necessary time, financial resources, skills and knowledge are made available. It may be argued, therefore, that the route to

competitive advantage requires the optimal utilization of all its resources: human, financial and technical. It is closely linked with operational planning and has a great deal of impact on communicating and on providing training and incentives (Gunnigle and Moore, 1994). Okumu (2003) suggests issues influencing Enterprise Resource Planning resource allocation are: the procedures of securing and allocating financial resources for the new strategy; information and knowledge requirements for the process of implementing a new strategy; the time available to complete the implementation process; and political and cultural issues within the company and their impact on resource allocation.

Managers are usually forced into the budget-making process when executing strategies (Freedman, 2003). The various units should have adequate resources in order to carry out their respective parts of the strategic plan. They need enough of the right kinds of people and sufficient operating funds. Strategy implementers should monitor their subordinates' requests for new capital projects and operating budgets while distinguishing between what would be appropriate and what would make a justified contribution to execution of the strategy. According to Thompson and Strickland (1998), Strategy implementers should be prepared to shift resources from one area to another in the support of new strategic initiatives and priorities since a change in strategy almost always requires budget reallocations. How well the strategy implementer links budget allocations to the needs of strategy can either promote or impede the execution process. Depriving strategy-critical groups of the funds required to execute their pieces of the strategy can undermine the implementation process.

Communication is the mechanisms that send formal and informal messages about the new strategy. Peng and Littlejohn (2001) point out that communication and cooperation between diverse participants within an organization have been recognized as crucial elements to maintain organizational stability and adaptation to change. Organizational communications play important roles in training, knowledge distribution and learning in the process of strategy implementation. Okumu (2003) observes that they may serve as important or even critical knowledge distribution/learning channels in developing new competencies, and as "supporting" networks by which local staff gain motivation and confidence. They further help to overcome the limitation of corporate resources and allow the distributed organizational resource to be synergistically. Communication is pervasive in every aspect of strategy implementation, and it is related in a complex way to organizing processes, organizational context and implementation objectives which,

in turn, have an impact on the implementation process. However, Peng and Littlejohn (2001) argue that effective communication is a primary requirement of effective implementation but it does not guarantee the effectiveness of implementation.

Well conceived, state-of-the art support systems facilitate better execution of strategy as well as strengthening the organizational capabilities enough to provide a competitive edge over rivals (Thompson and Strickland, 1998). For instance, a company striving to be a low-cost provider will require systems that exploit opportunities to drive costs out of the business. On the other hand, fast growing firms require employee recruiting systems to attract and hire qualified staff in large numbers.

Installing implementation support requires instituting formal reporting of strategic information. Johnson and Scholes (2002) point out that all organizational units and individuals need to be fully committed to strategy execution and the achievement of performance targets. Managers can ensure such commitment by motivating people and rewarding them for good performance. Options that managers can use include giving people an opportunity to be part of something exciting, greater personal satisfaction, giving ambitious performance targets, giving praise, recognition, constructive criticism, increased or decreased job control, more or less responsibility, among other options. Whatever the option, these motivational techniques and rewards must be used creatively and also be linked closely to the factors and targets necessary for good strategy execution. Some of the strategy supportive reward systems are: motivational practices, rewards and incentives, linking work assignments to performance targets, and rewarding performance.

Organizational structure is a major priority in implementing a carefully formulated Enterprise Resource Planning. This refers to the shape, division of labour, job duties and responsibilities, the distribution of power and decision-making procedures within the company (Okumus, 2003). According to Hax and Majluf (1996), Enterprise Resource Planning strategy and structure interact. Pearce and Robinson (2003) argue that if activities, responsibilities, and interrelationships are not organized in a manner that is consistent with the strategy chosen, the structure is left to evolve on its own.

Structure of an organization should be compatible with the chosen strategy. Matching organization structure to strategy requires that a customized structure be put in place. This is because each strategy is grounded in its own set of key success factors and value chain activities and each firm's organization chart reflects past organizational patterns, executive judgments on reporting relationships, assigning responsibilities, and varying internal circumstances unique to that organization. Thompson and Strickland (1996) suggest that to fit structure to strategy, the organization should: First, identify the value-chain's key tasks and primary activities that are critical in executing the strategy. These should be made the main building blocks in the structure. Secondly, establish ways to bridge departmental lines and achieve the required coordination where all facets of a strategy-related activity cannot possibly be under one manager's authority. Thirdly, determine the degree of authority needed to manage each unit, and try to strike a balance between the use of centralization and decentralization. Fourthly, determine if the non-critical activities can be outsourced more efficient than they can be performed internally.

Outsourcing non-crucial activities allows the firm to concentrate its own energies and resources on the value-chain activities where unique value can be created as well as where strategic control is needed to build core competencies and achieve competitive advantage. Johnson and Scholes (2002) suggest that eight formal approaches to matching structure to strategy can be used: simple structure, functional specialization, multidivisional, the holding company structure, matrix structures, team-based structures, project-based, and intermediate structures. Thompson and Strickland (1996) argue that each of these needs to be supplemented with formal or informal organizational arrangements to fully coordinate the execution effort since any approach on its own may not be adequate.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study used the case study design. This was because the objective of the study was to establish the human resource management challenges faced by Kenya Pipeline Company in the implementation of Enterprise Resource Planning system. This required an in-depth study on current implementation status of the system.

3.2 Data Collection

This study used primary data. The data collection tool was an interview guide see Appendix I. The interview guide was classified into two parts, part A was to collect data on general information while part B sort to explore the human resource challenges faced in the implementation of Enterprise Resource Planning. The respondents were 30 Senior Officers ranging from Chief Officers who are in charge of various Sections in the organization, Senior Officers who deputize the Chief Officers and Officers I and II who were directly involved in the implementation of Enterprise Resource Planning. All these staff has the responsibility of ensuring successful implementation of enterprise resource planning. The interview guide was administered using personal interviews.

3.3 Data Analysis

Data was analyzed using of content analysis. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts or even responses provided by respondents. In this study, the researcher quantified and analyzed the presence, meanings and relationships of such words and concepts, then made inferences about the messages within the responses provided by respondents. The researcher summarized responses into manageable categories on a variety of levels. phrases and sentence, and then examined them using one of content analysis' basic methods: conceptual analysis or relational analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This section presents the data analysis and findings of the study. The section is divided into two main parts. The first part deals with general information of the respondents and study area while the other part relates to the key objective: challenges facing implementation of Enterprise Resource Planning (ERP) by Kenya Pipeline Company.

This study targeted 30 respondents. However, the researcher managed to conduct face to face interview only 20 respondents who have been involved in the implementation of Enterprise Resource Planning. Therefore we can conclude that they had an understanding of human resource challenges facing Enterprise Resource Planning implementation in the company. All the respondents' interview have been involved in key decision making in the management and operation of Kenya Pipeline Company, including Enterprise Resource Planning implementation.

4.2 Enterprise resource planning implementation

All the respondents interviewed stated that that implementation of Enterprise Resource Planning was started in the year 2005. However, some respondents indicated that they were not involved in preparation of Enterprise Resource Planning implementation. Among third of those who were involved in implementation planning said planning lasted over one year while two thirds indicated less than one year. All respondents said that implementation is a long-term undertaking which is on going. They strongly recommended for development of an Enterprise Resource Planning strategic plan, with adequate support budget. According to them this would go a long way in redeveloping, improving and enhancing the human resources objectives at Kenya Pipeline Company. As far as technology is concerned, the respondents agreed that Kenya Pipeline Company constantly review and asses the usefulness of emerging technologies, and will attempt to provide even more convenient and innovative service in tandem with Enterprise Resource Planning. The respondents argued that Enterprise Resource Planning has an important role to play in creating a conducive business environment at Kenya Pipeline Company internally and externally. To expedite business processes, Enterprise Resource Planning implementation began with computerization and networking of processes and activities in all offices. Then, a document management system was installed to avail

real services to users and staff. Since then several Enterprise Resource Planning modules have been implemented including master payroll, employee register, daily work sheet and performance tracking.

4.3 Human resources challenges facing enterprise resource planning implementation

Respondents reported challenges that faced Kenya Pipeline Company in implementation of Enterprise Resource Planning. These challenges are documented below:

Respondents reported that Chief Executive Officer was not directly involved in implementation of Enterprise Resource Planning but the work was actually handled by the lead consultant. However, less than half of the respondents reported that Heads of Department and their deputies were involved while two thirds of the respondents reported that consultants were involved. This raised queries on the top management involvement, thereby indicating lack of leadership in the process as well as commitment of staff since they do not seem to have been adequately involved.

Majority of respondents stated that staff do not have required skills to handle Enterprise Resource Planning functions. They reported that staff were not introduced to Enterprise Resource Planning before its implementation. More so they stated that consultants implementing the system are not always available to attend to technical obstacles of the system when they arise. Under half of the respondents reported that although the company has employed technical staff to handle Enterprise Resource Planning operations, most of selected and recruited staff fails to understand tasks involved. Therefore, selection and recruitment of the correct people with appropriate skills have the greatest influence to the Enterprise Resource Planning implementation.

More than three quarters of the respondents reported that organization staffing influenced Enterprise Resource Planning implementation with seven out of ten reporting that hiring the right consultants is very important to Enterprise Resource Planning implementation success.

More than half of the respondents indicated that there were inadequate supportive systems to support Enterprise Resource Planning implementation. They reported lack of proper reward and recognition systems, as well as inadequate job training programs as some of challenges affecting the implementation Enterprise Resource Planning. Most of the respondents reported lack of performance

based promotions is among organization cultural practices that have negatively influenced the implementation of Enterprise Resource Planning. They stated that this undermines morale of the hardworking staff, demotivating them. The respondents highlighted the following as some of other practices that were challenges to Enterprise Resource Planning implementation; political internal environment, hostility to change among staff due to poor reward systems among junior staff

Respondents reported that communication is important in the Enterprise Resource Planning implementation process. They said there has to be both bottom-top and top-bottom communication for the Enterprise Resource Planning to succeed. Majority of respondents reported that internal communication has been lacking especially bottom-top approach thus slowing the implementation process.

Since implementation of Enterprise Resource Planning, respondents indicated there was very low reporting of implementation feedback. This result shows lack of monitoring and evaluation of the Enterprise Resource Planning implementation such that it can be probably be concluded that this has been the reason why implementation process has taken long period.

Respondent reported that existence of appropriate conducive both external and internal organizational procedures is crucial to implementation of Enterprise Resource Planning. Respondents were asked several statements relating Staff supportive systems challenges in the implementation of Enterprise Resource Planning at Kenya Pipeline Company. Most of respondents said that the Enterprise Resource Planning would easily stall due to inadequate and irrelevant supportive systems. They reported that there has to be staff supportive mechanism before implementation so as to guide the process. They indicated that, this supportive systems need to include staff in job-training programmes, Enterprise Resource Planning implementation manuals, streamline procurement of systems, monitoring and evaluation and appropriate reporting structure.

About half of the respondents reported that there was need for organization audit to assess presences of these systems prior to and during Enterprise Resource Planning implementation. Lack of this in the implementation process raises the question regarding the compatibility of the system to organization structure

Majority of respondents reported that Enterprise Resource Planning was not introduced to employees before start of its implementation. These findings reveal that employees were not consulted, trained and involved in preparation to Enterprise Resource Planning implementation.

Majority of the respondents indicated that prior lack of staff training on the Enterprise Resource Planning was a major draw back to its implementation. They said most of the staff continues to struggle to understand Enterprise Resource Planning functionality when using the system.

Respondent also reported that there are various cultural practices that have a moderate negative influence on execution of Enterprise Resource Planning system strategy. For instance, a politicized internal environment was found to have a very great negative influence on Enterprise Resource Planning implementation by most respondents interviewed. This was followed by hostility to change. Also, reward system was reported as the cultural practice with the least negative influence on Enterprise Resource Planning implementation. Lack of performance based promotion was also highlighted by staff as one of the key practice which has negative effects on the Enterprise Resource Planning implementation.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings of the study, conclusions and recommendation. At the end of the chapter areas for further research are provided.

5.2 Summary

This study was carried to determine human resource challenges faced by the company in the implementation of Enterprise Resource Planning. A purposive population who has the responsibility of ensuring Enterprise Resource Planning is implemented was obtained for the purpose of this study. An interview guide was used to obtain information from this population. This guide was designed to collect information on employee opinions and views on challenges affecting Enterprise Resource Planning (ERP) implementation at Kenya Pipeline Company. Information collected was analyzed and findings narrated.

Less than half of the respondents reported that Enterprise Resource Planning implementation was spearheaded by the contractor in consultation with the managers without much involvement of junior staff. One out of every five respondent indicated that there was lack of appropriate leadership in the process of implementation.

Further, majority of the respondents reported lack of employee training as a major challenge to the Enterprise Resource Planning implementation. This is an indication of employees' lack of commitment to Enterprise Resource Planning operations.

Moreover the results revealed that there was inadequate communication on Enterprise Resource Planning implementation both internally and externally. This showed that communication was a major constraint to Enterprise Resource Planning implementation.

Further, more than half of the respondents indicated that there were inadequate supportive reward systems towards Enterprise Resource Planning implementation. They mentioned lack of proper reward and recognition systems as some of challenges affecting the implementation Enterprise Resource Planning.

Investigation on organization culture to Enterprise Resource Planning implementation revealed that about a third of respondents mentioned that this factor influenced Enterprise Resource Planning implementation. On the organization culture, few respondents reported that organizational cultural practices had negatively influenced the implementation of Enterprise Resource Planning. Some of the practices that were cultural challenges to Enterprise Resource Planning implementation were political internal environment, hostility to change among staff and poor reward systems among junior staff.

5.3 Conclusions

The result of the study revealed that Enterprise Resource Planning implementation has been successful. The respondents indicated that Enterprise Resource Planning has improved business processes resulting to a high degree of efficiency. Also Enterprise Resource Planning has brought about cost saving and reduced waste and there is increased employees' job satisfaction. However, respondents highlighted several recommendations for improvement on the on going Enterprise Resource Planning implementation process.

There results revealed that there was no capacity building on Enterprise Resource Planning operations among the junior staff who interact with Enterprise Resource Planning on daily basis. In addition, staff were not consulted prior to the implementation process.

Enterprise Resource Planning implementation was supply driven as opposed to demand driven, with consultant and top leadership assuming the large role of implementation, where external force seem to have contributed the decision of implementation the system.

There was no organization audit done prior to implementation which might have caused incompatibility of the Enterprise Resource Planning system to the Kenya Pipeline Company structure. Perhaps this explains why the implementation process has taken long period than planned as the consultants try to adjust the system to conform to the organization.

There was inadequate internal systems and tool to support the implementation process as well as feed back system to ensure smoothening of the system after implementation. One can conclude that the following are some of the challenges that have been facing Kenya Pipeline Company in the Enterprise Resource Planning implementation: lack of proper consultations with its stakeholders

including the junior staff who interact with Enterprise Resource Planning on daily basis, Failure to introduce the Enterprise Resource Planning system and operation to the staff before implementation, Lack of proper training on Enterprise Resource Planning to staff (including lack of job on training programs), Lack of creating demand stimulation program prior to implementation so that the Enterprise Resource Planning is demand driven as opposed to supply driven, Complexity of Enterprise Resource Planning system due to failure to conduct an organization audit prior to implementation process, Entrusting the process to outsider – the consultants without committed leadership into the process, lack of addressing organization culture such as political interference and failure to ensure appropriate system and tool that would support the implementation process such as rewarding systems and preparing implementation manual for relevant staff.

5.4 Recommendations

This study therefore recommends the following;

There is need to carry proper consultations with the stakeholders including the junior staff who interact with Enterprise Resource Planning on the Enterprise Resource Planning system. This need to include sensitization and awareness creation programmes targeting the relevant stakeholders in order for them to appreciate the Enterprise Resource Planning operations and embrace the system.

There is need to develop on the job training programmes for the staffs in order for them to update themselves with the changing Enterprise Resource Planning system technology.

There is need to institute proper supportive systems such as performance based pay and promotions geared towards reorganization of the staff involved in the implementation processes and also to those working with Enterprise Resource Planning system; the leadership need take a leading role in championing for Enterprise Resource Planning rather than entrusting the process to the consultants.

The management needs to deal with inhibitive cultural practices such as improving encouraging professionalism among staff, impartial in decision making and un-receptive to politics.

There is need to institute demand stimulation program so that external stakeholders appreciate the use of Enterprise Resource Planning system.

5.5 Suggestions for Further Research

This study determined the human resource challenges faced by Kenya Pipeline Company in the implementation of Enterprise Resource Planning. The results found that employees were not consulted prior to Enterprise Resource Planning implementation and employees were not trained on Enterprise Resource Planning operations. There is need therefore to carry out a study on the Kenya Pipeline Company employee motivation and satisfaction with the Enterprise Resource Planning system implementation.

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Appendix I: Research Instrument

Part A: Letter of Introduction

Dear Respondent,

I am an MBA student at the School of Business and Economics, University of Nairobi. I'm currently undertaking my research project entitled "Factors Affecting Implementation of Enterprise Resource Planning at Kenya Pipeline Company Limited". The attached questionnaire is for gathering data, which will be useful in the mentioned research.

You have been selected as one of the respondents in this study. I therefore request you to kindly facilitate the collection of the required data by answering the questions herein. Please note that the information sought is purely for academic purposes and will be treated with utmost confidentiality.

I look forward to your co-operation.

Yours faithfully,

Emily W. Thathi

Part B: Interview Guide

Number.....

Date.....

This guide has been designed to collect information on employee opinions and views on factors affecting Enterprise Resource Planning (ERP) implementation at KPC. Information collected is meant for academic purposes only.

General Information

1. What is your current position?
2. Please list your current duties and responsibilities?
3. Please indicate the section that you work in?
4. When did you start using the Enterprise Resource Planning System (ERP)?
5. How many months was the ERP implementation planned to take?
6. How many months did the implementation actually last?
7. How many ERP modules were implemented?

ERP Implementation challenges questions

1. Was there planning prior to ERP implementation?
2. If yes, what plans were initiated and who was involved?
3. Was there any organization IT audit conducted prior to ERP implementation?
4. Is ERP system implemented compatible with the KPC organization structure? Explain
5. Who were involved in the ERP implementation process?
6. Were employees introduced to ERP long before implementation?
7. Were all employees totally involved in the implementation of ERP?
8. Was there any training and awareness on ERP conducted before, after or/and during implementation?
9. In your own opinion do the staff poses the right skills and knowledge to handle ERP operations
10. What can you say about employee commitment to ERP operations?
11. How was the KPC leadership and management involved in the ERP planning and implementation?

12. In your own opinion, has the management been supportive in all the ERP activities?
13. Has there been resource inadequacy that caused stoppage in the ERP implementation?
14. What is our opinion on the ERP deployment and staffing outsourcing?
15. Has there been adequate communication on ERP implementation both internally and externally?
16. How has such communication influenced ERP implementation?
17. Has KPC management received ERP implementation feedback?
18. How were the feedbacks received?
19. Have there been adequate supportive and control systems towards ERP implementation?
20. Highlight lack or presence of supportive systems requisite to ERP implementation
21. How has the external environment affected ERP implementation?
22. Name external influences that have an effect on ERP implementation, elaborating the type of influence?
23. In your own opinion, explain how the influence on the following (Organizational Structure, Organizational culture, leadership, staffing, resource availability and allocation, communication and supportive and control systems) on ERP implementation at KPC
24. Please, other than factors listed above, highlight other issues which had an influences on ERP implementation? Elaborate the type of influence on each
25. Do you agree that ERP has improved processes in KPC
26. What is the general employee perception on ERP implementation?
27. Since KPC implemented ERP employees and customers have experienced a degree of efficiency?
28. Do you agree that ERP has brought about cost saving and reduced waste of employees at KPC?
29. Has ERP increased employees' job satisfaction?
30. ERP has brought up excessive documentation without real benefits? Explain
31. How do you rate overall ERP planning and implementation at KPC?
32. Suggest what you want done to improve ERP implementation

