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Chapter XIX

Implementation Failure of an Integrated Software Package:
A Case Study from the Far East[1]

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Suprateek Sarker
Washington State University, USA

Saonee Sarker
Washington State University, USA

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ABSTRACT

The case study describes the process of implementation of an integrated software package at the Thai subsidiary (SMTL) of a Hong Kong-based multinational company (SMHK) engaged in the manufacturing of electronic equipment. Several factors-such as a poor fit between the business process assumptions inscribed in the software and the business processes in SMTL, poor leadership at different levels, cultural clash between the headquarters and the Thai subsidiary, organizational politics, and poor human resource management-contributed to the confusion in the organization, project delays, budget overruns, and ultimately, to the "failure" of the systems implementation project. The case study is likely to be valuable for illustrating issues related to managing IS implementation in a multinational context.

COMPANY BACKGROUND

Semiconductor Manufacturing (SM) is a world leader in the design, development and delivery of a broad range of electronic equipment. Its products are used in various business applications, including automobile components, home appliances, power tools, office and industrial equipment. Semiconductor Manufacturing began as a small family-owned business in Hong Kong (HK) in 1962, and today the company employs over 15,000 people and sells more than HK$600 million worth of electronic equipment to companies worldwide. Currently, its major manufacturing facilities are located in Hong Kong, China and Thailand, while its R&D, sales, marketing and technical support functions are hosted in Hong Kong, Germany, Switzerland, Japan and the USA.

Strategically, Semiconductor Manufacturing focuses on working closely with customers to design and produce industrial electronic equipment. This business strategy enables the company to satisfy and exceed expectations of both immediate customers and product end-users in an efficient and effective manner.

Being aware of the potential for growth in the demand for the company's products, the top management of Semiconductor Manufacturing has investeda huge amount of capital to expand its production capacities and improve its manufacturing facilities, with special attention on auto-assembly lines, high technologies, and IT infrastructure.

SETTING THE STAGE: THE FORMATION AND GROWTH OF THE THAI SUBSIDIARY OF SEMICONDUCTOR MANUFACTURING

Semiconductor Manufacturing Thailand Ltd. (SMTL) is a relatively new subsidiary of Semiconductor Manufacturing, consisting of one modern integrated plant for assembling industrial electronic equipment. The factory construction started in late 1991 under the supervision of Thailand's foreign investment promotion board, known as Board of Investment (BOI). The construction site was located on an industrial estate near the capital, Bangkok.

Jack Fung, a successful business executive based in the Hong Kong headquarters, was appointed as the Managing Director (MD) of SMTL. Jack had received his engineering education from a reputed technical institute in the UK, and had thereafter earned an MBA degree from a top-rated Canadian university. He had subsequently worked in the U.S. for about 10 years before returning to his "home country" Hong Kong, and joining Semiconductor Manufacturing. As the Managing Director of SMTL, Jack was responsible for the company setup (including plant construction, production setup, and recruitment), as well as all operations and management.

In the early stages of the company setup (1991-1992), Jack had ten employees with varied levels of work experience (one to ten years) working for him - a secretary, an import officer, two buyers, two programmers, a financial controller, two technicians, and an engineer. The employees worked as a closely-knit group in a temporary office in Bangkok, with each member of the group involved in problem solving in different functional areas of the nascent organization.

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