Chapter VIII

Implementing ERP — What Happens to Competitive Advantage?

David Sammon
University College Cork, Ireland

Frédéric Adam
University College Cork, Ireland

Kevin Higgins
Ulster Bank, Ireland

Mark Synnott
Intel, Ireland

ABSTRACT

Over the last 30 years, the enterprise-wide systems movement has been gathering momentum and has now reached a global dimension, with companies across the world and, more importantly, across very different industries jumping on the ERP/SCM/CRM bandwagon. The pace of implementations has been such that SAP alone have now implemented their software in 30,000 sites and have a user population well in excess of 10 million. However, studies carried out since the ERP epidemic broke out have revealed that the rationale pursued by managers in acquiring ERP

packages has sometimes been weak and not well informed. Moreover, the track record of ERP implementations has not been good with many examples of implementation failures. It is our contention that the problems reported in ERP projects are due to a failure to link the business model underlying ERP packages and the unique assets of organisations. In this research study, we carried out two in-depth case studies of organisations having just implemented ERP packages and focused on the preparation stage of their projects. We also carried out a survey of organisations having implemented ERP to confirm quantitatively how well managers prepare themselves for ERP. Based on these, we uncover patterns of ERP project preparation which may explain the low success rate of ERP projects and put forward some proposals which should help managers and researchers to increase the likelihood that ERP projects are successful.

INTRODUCTION

ERP systems are enterprise-wide information systems that cater to many aspects of an organization's business processes (Holland, Light & Kawalek, 1999). The popularity of ERP software began to rise in the early 1990s and has grown to become one of the most widespread software applications used in managing enterprise-wide business processes (Light et al., 1999). One of the dominant features of the ERP market is that enthusiasm for ERP systems stretches across a broad industrial spectrum. Implementations are taking place in industries, such as chemicals, IT, electronics, textiles, and even in the public sector (Holland, Light & Kawalek, 1999; Chang & Gable, 2001). Perhaps the most resounding endorsement for ERP systems is that software giants IBM and Microsoft are using ERP packages produced by other software vendors (Martin, 1998).

However, there are concerns with the track record of ERP implementations and with the level of benefits that accrued to organizations having implemented ERP. We contend that many of the problems that arose in relation to ERP are due to the lack of preparation of many companies and to the weakness of the analysis carried out prior to implementing software packages. In order to discover how much preparation organizations make when implementing ERP, we carried out two in-depth case studies and a survey of companies focusing on the preparation stages of their projects.

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