Chapter 5.9
Enterprise Resource Planning Systems:
Effects and Strategic Perspectives in Organizations

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ABSTRACT

In the age of globalization, organizations all over the world are giving more significance to strategy and planning to get an edge in the competition. This chapter discusses the Enterprise Resurce Planning (ERP) systems effects and strategic perspectives in organizations. These are significant how information technology and ERP together facilitate in aligning the business in such a way so that it should lead to excellent productivity. It further explores in what ways effects of ERP system in organizations can provide sustained competitive advantage.

DOI: 10.4018/978-1-59904-859-8.ch005

INTRODUCTION

Enterprise Resource Planning (ERP) software is one of the fastest growing segments of business computing today (Luo and Strong, 2004) and ERPs are one of the most significant business software investments being made in this new era (Beard and Sumner, 2004). Davenport (1998) has declared that 'the business worlds's embrace of enterprise systems may in fact be the most important development in the corporate use of information technology in the 1990's. Mabert et al. (2001) noted that industry reports suggests as many as 30,000 companies worldwide have implemented ERP systems. According to a report by Advanced Manufacturing Research, the

ERP software market is expected to grow from $ 21 billion in 2002 to $ 31 billion in 2006 and the entire enterprise applications market which includes Customer Relationship Management and Supply Chain Management software will top $ 70 billion (AM Research, 2002). Further, AMR Research has projected as much as $ 10 billion in global investments in ERP (as cited in Kalling, 2003). The ERP market is projected to grow from a current $15 billion to $ 50 billion in the next five years and to reach $ 1 trillion by 2010 (Bingi et al., 1999). ERP systems offer the advantage of providing organizations with a single, integrated software system linking the core business activities such as oprations, manufacturing, sales, accounting, human resources, and inventory control (Lee and Lee, 2000; Newell et al., 2003; Shanks and Seddon, 2000). According to Brown and Vessey (2003) this integrated perspective may be the first true organization-wide view available to management. According to Lee and Myers (2004) much of the literature on ERP implementation suggests that ERP systems should support the strategic objectives of the organization. They observed that some ERP vendors tend to assume that implementing their products is a straightforward translation from strategy to IT-enabled business processes.

ERP helps organizations to meet the challenges of globalization with a comprehensive, integrated application suite that includes next-generation analytics, human capital management, financials, operations, and corporate services. With support for industry-specific best practices, ERP helps organizations improve productivity, sense and respond to market changes, and implement new business strategies to develop and maintain a competitive edge. ERP is designed to help businesses succeed in the global marketplace by supporting international legal and financial compliance issues and enabling organizations to adapt internal operations and business processes to meet country-specific needs. As a result, organizations can focus on improving productivity and serving their customers instead of struggling to ensure they are in compliance with business and legal requirements around the world. Companies that automate and streamline workflows across multiple sites (including suppliers, partners, and manufacturing sites) produced 66% more improvement in reducing total time from order to delivery, according to Aberdeen's 2007 study of the role of ERP in globalization. Those companies that coordinate and collaborate between multiple sites, operating as a vertically integrated organization, have achieved more than a 10% gain in global market share. The majority of companies studied (79%) view global markets as a growth opportunity, but of those companies, half are also feeling pressures to reduce costs (Jutras, 2007). Those companies that coordinate and collaborate between multiple sites, operating as a vertically integrated organization, have achieved more than a 10% gain in global market share (Marketwire, 2007).

INFORMATION TECHNOLOGY AND STRATEGIES

Inspite of lots of literature and guidance available less than 10% of strategies effectively formulated are effectively executed (Kaplan and Norton, 1996). Mintzberg (1992) defined strategy as " a plan –some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. He further tried to define strategy from the perspectives of being a plan, a ploy, a position, a pattern, and a perspective (Ikavalko, and Aaltonen, 2001). Michael Porter's (1996) definition of strategy focuses more on the outcome, "the creation of a unique and valuable position, involving a different set of activities". He believes that a strategy is a way an organization seeks to achieve its vision and mission and that a successful strategy allows a company to capture and sustain a competitive advantage. Porter's (1985) value chain methodology identified five key forces that impact on an organization's competitive position: