RUNNING HEAD: IT

Enterprise System

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Executive Summary

An enterprise system supports business processes, informational flow and resource management, via large-scale application software packages. One of the drivers towards the adoption of ES is to bring operational improvements such as reducing the cost of operations, reducing the cost of a number of employees and reducing cycle time. Other reasons that have been supported by many studies is the replacement of the legacy system or bringing architectural improvements. ES allows the control and track of complex business operations resulting in the success of an enterprise. Companies have obtained numerous monetary and non-monetary benefits from the adoption of such systems. Higher management has to be aware of the need for effective change management techniques to adjust the organisation in accordance with the needs of ES.

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Enterprise Systems

# Introduction

An enterprise system, in simpler terms, refers to an enterprise-wide used application, which aids the smoother functioning of the enterprise. An enterprise system supports business processes, informational flow and resource management, via large-scale application software packages. Bearing in mind the dynamic nature of organisations and the flow of resources and data, these software packages can be customized to meet the needs of the organisation. It is also referred to as the amalgamation of software and hardware applications that aim at handling the organisational process with efficiency and effectiveness. They also allow the organisation to integrate information from different functions in an organisation. Examples of such systems include enterprise resource planning (ERP), supply chain management (SCM), e-procurement software, customer relationship management (CRM) etc. This report seeks to identify the factors that drive the adoption of Enterprise Systems and ways to measure the business success from the adoption of enterprise systems alongside change management considerations for successful implementation of such systems.

# Discuss the principal drivers behind businesses adopting Enterprise Systems.

 Nowadays, business organisations do not consider their survival without the adoption of several enterprise systems such as CRM, SCM, ERP, PLM etc. Sometimes organisations are not aware of the fact why such systems are a necessity. After the technology boom, like many other changes, it also transformed the ways companies conduct businesses. The technology was adopted by organisations all over the world to bring efficiency and effectiveness in their processes. Initially adopting the enterprise systems was considered a risky endeavour, however, later on, the business started to consider it a necessity. By the time, organisations started to witness the positive outcomes of ES, success stories and case studies. In addition to that, many other factors contributed to the adoption of ES.

A number of studies reveal different reasons in different countries that can be summed up in different types of reasons. One of the drivers towards the adoption of ES is to bring operational improvements such as reducing the cost of operations, reducing the cost of a number of employees and reducing cycle time. This is often declared as the primary factor companies adopt (Buonanno et al., 2005). Another reason that has been supported by many studies is the replacement of the legacy system or bringing architectural improvements. With the changing technologies, previous systems become obsolete and unable to keep up with the changing needs of organisations. The enterprise systems architecture allows ease in upgrading, that some of the older systems do not allow.

In addition, the size of the organisation plays a critical role in the adoption decision of ES in an organisation. The size of the organisation in terms of revenues and business and in terms of business growth and extension as well (Shakir and Viehland, 2004). Organisation's size also increases in terms of business acquisitions and mergers, therefore, require scalability and flexibility for sustainability. Organisations adopt IT-based solutions to pursue their strategic objectives and goals as they expand into different markets. Enterprise Resource Planning systems allow integration of information from all the business units, operating in different geographical locations.

IT maturity of an organisation is also one of the major determinants of the organisation's adoptability of ES. A study reports that the adoption of ES is directly related to the IT maturity of the organisation (Shakir and Viehland, 2004). Organisations that are IT mature always remain aware of the IT needs in their business and plan to develop a system that could meet the future IT needs. Competition is the major driver of ES adoption in many organisations. In order to compete in the highly competitive global business environment driven by innovation, organisations need to be technically competent. ES is known to enhance the business productivity hence creating a need to implement these systems (Ahmad et al., 2014).

 Over time, the software developers have embedded some best practices into their ES applications. Implementing such systems allow the business organisations to have Standardization system of the industry and take advantage of the best practices developed after years of experience. In this way, ES also saves cost and allows uniformity in the business processes. The need for customer-supplier intimacy is another responsible factor that drives a business towards the implementation of ES. These systems interlink almost all the software packages such as SCM, CRM, PLM, and ERP, allowing a single interface for suppliers, partners and customers (Ahmad et al., 2014).

Seeking organisational change is also one of the primary goals of learning organisations. ES allows such changes to happen and help re-engineer major business principles and processes while reducing the inefficiencies. The need for integrating business systems and processes is also responsible for the adoption of ES. Since ES allows integration of database and applications serve the need for integration at all the organizational levels (Laukkanen et al., 2007).

A study based on the organisations in India also highlights similar motivations behind the adoption of ES among the Indian organisations. All these factors discussed above including the size of organisations, the need for operational improvements, competition and other external factors are responsible for the IT adoption in an organisation. Though these factors also vary depending on the industry but overall these are the major drivers of ES implementation (Ahmad et al., 2014). It also highlights literature form the studies based on other countries that report these factors to be responsible for global adoption of ES in business organisations. However, a range of other external factors also persuades business organisations and business conglomerates to implement ES and to enjoy the benefits offered by such a system.

# How do Enterprise Systems contribute to organisational performance and how do we measure such contributions?

 An analysis of the factors driving business organisations towards the implementation of ES indicates that benefits obtained from these systems incline the organisations towards adopting them. One of the major drivers is to enhance the performance of business operations and functions. Technology has remained the backbone of business organisations since the technology boom has occurred. Companies are looking forward to exploiting technology, to be specific enterprise systems to improve customer service operations and their work-flows. ES allows the control and track of complex business operations resulting in the success of an enterprise. There are multiple ways an ES enhances business performance and contributes to its efficiency if the companies implement them successfully. One of the most common ES that has been widely adopted by the organisations in the enterprise resource planning system (ERP).

ERP facilitates a company-wide integrated Information Systems covering all functional areas such as manufacturing, sales and distribution, accounts, payables, receivables, inventory, human resources, supply chain, MRP etc. (Yang and Su, 2009). Not only does the ERP system share information but also automates and integrates most of the business processes. All the more so, the integration framework provided by ERP runs across the companies, and decreases information gaps across the company, if any. The focus of ERP are the key issues that involves customer service, inventory and cash management, enhancement of productivity, prompt delivery and quality control. ERP provides organization with solutions that manage the underlying project in a subtle manner. Some important tools that are incorporated in the ERP systems include reporting, data mining, decision support, executive information system, and early warning system.

Furthermore, ES also addresses the requirement of the country and provides the company with opportunities to improve and refine its business process. The value of such systems lies in integrating as much information as possible in one system and connecting other systems to this repository. In addition, one tends to end up entering information once. This is a big saving since one doesn't have to worry about information being slightly different in various systems. Using an ES can be of great advantage to the companies looking forward to streamlining their customer service. Automation of business processes is one of the major benefits obtained from the implementation of ES, it not only saves time but also boosts the efficiency of business operations.

Flexibility and scalability, discussed above as the drivers of ES adoption are also the benefits obtained from the adoption of these systems. ES also allows enterprises to scale their IT operations according to the requirements of businesses. This is a great way to enhance organisational effectiveness and also controls costs, alongside meeting the demands and requirements of clienteles. ES system not only allows access to business information in real-time but to all the parties that are in the need of that information. The costs saved from the automation of business processes can be used to make investments in the areas more profitable for the company. A business is said to be doing good it is fulfilling the regulatory requirements. Laws, for example, the Sarbanes-Oxley Act requires the company to share timely information needed by the investors to make the investment decisions. ES assists a company to comply with these regulations through the integrated database and automated processes.

A study analyzing the benefits of ES reveals the ways in which companies that have implemented ES have benefited. The study developed a five-dimensional framework highlighted benefits in the five areas. These five areas included operational, managerial, strategic, organisational and IT-based benefits (Shang and Seddon, 2002). This framework can also be utilized by other organisations to measure the contributions made by the ES in all these five areas. This study also evaluated the benefits obtained and the problems encountered of the enterprises implementing ES. A wide range of benefits include efficiency in decision making, quicker business operations, replacement of legacy systems and an increase in employee morale. All these benefits, overall, make a major contribution to the enhanced organisational performance.

Besides, the organizational efficiency is also disclosed in the overall organizational performance in terms of reduced cost, boosted employees’ performance, efficiency in organizational processes. In addition, another determinant of ES effectiveness is in the form of better customer and supplier relations. If the ES implemented is assisting an organisation in attaining its strategic goals and objectives, it is an indicator of the fact that the system is making a constructive contribution towards the organisation. Adopters of Supply Chain Management (SCM) have reported improvements in profitability and stock returns. The same study also reported favorable outcomes in the form of profitability from the implementation of ERP systems (Hendricks et al., 2007). These are other two determinants of the contribution made by the adoption of ES in an enterprise, but these measure the outcomes in monetary terms.

# What are the organisational change management considerations necessary for successful adoption of an Enterprise System?

Change management involves the use of tools and techniques that support leadership and people of organisation to implement changes in an organisation to attain desirable results (Todnem By, 2005). In addition, change management makes the results of change foreseeable. Since change management has to do with all approaches geared towards a smooth implementation of change while mitigating the effects which may occur and making sure the benefits of the change are achieved (Altamony et al., 2016). There change management can but handle in many different ways but with two goals in mine, that is: minimize disruption in the management process and maximize benefit from change.

 In the case of implementation of ES in an organisation, many issues and concerns arise that poses difficulty in the implementation of ES. These comprise hierarchy, awareness of personnel holding numerous designations in the enterprise, IT infrastructure, high cost, enterprise structure, training and most importantly changes in the organisation happening in the course of ES adoption (Soja and Paliwoda-Pę̨kosz, 2009). Hence, change in the organisation arising from the ES adoption or owing to the requirements imposed by this adoption, is an essential factor to be considered. According to the same study, changes occurring in the organisation from ES adoption are unavoidable. Therefore, higher management has to be aware of the need of effective change management techniques to adjust the organisation in accordance with the needs of ES such as changes in hardware, network infrastructure and enterprise structure. For the reason that, difficulty in these areas can result in the negative consequences for the adopter organisation. In addition, the misfit of system with organisation can also result in the problems for employees (Soja and Paliwoda-Pę̨kosz, 2009).

For change to be handled appropriately, the directors must analysis the possible effects and benefits of the change, pinpoint those in the management who will be affected by the change, the people who are to be directly or indirectly affected by the change should be integrated in the implementation process of the change, as this will increase their horizon on the recent development. Also, the management must be able to communicate with employees to brief them on the lapses of the old approach and the need for the change. It is certain that during a change implementation, some workers will lose their positions and for this reason they need to be compensated. Higher management welcome change but some low-level employees do not for fear that they might lost their jobs. It is also important to know people have different responses to change, which is a function of age, culture, personality. The similar considerations must be made by the higher management of an organisation implementing an ES.

A study exploring the factors contributing to successful change management in ERP implementation, one of the common ES. It identifies that when it comes to ES, the effective change management strategy encompass planning, implementing and measuring the change (Altamony et al., 2016). Preparation for change is essential in accordance with the culture and structure of an enterprise by making observations. While implementing change, end-user communication issue, user training and involvement, and cultural considerations must be made by the higher management. After the implementation stage, the influence must also be measured based on the organisational factors and end-user involvement (Altamony et al., 2016).

 Change management strategies are well-recognized as essential to sustain any modern organization. Adoption of ERP or any other ES through the change management increases the probabilities of success for the enterprise. There is a necessity to prepare for any hurdle beforehand therefore a planned change management strategy is essential alongside the efficient leadership. A number of support the idea of effective change management with ES implementation.

# Conclusion

 To sum up the discussion, enterprise systems allow the smooth functioning of business operations and results in efficiency in business processes. Owing to the benefits these systems provide, ES have been widely adopted by almost all the small, medium and bigger business firms to enhance their performance. A number of internal and external factors drive the business motivate enterprises to adopt ES such as the size of organisation. Need of hour is also a major factor and studies reveal that companies have obtained numerous monetary and non-monetary benefits from the adoption of such systems. However, the consideration of change management techniques is pivotal in order to attain the strategic objectives and reduce the likelihood of failures from change constraints.

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