Investigating the Benefits of Enterprise Resource Planning (ERP) in Global Organisations

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Abstract

The relationship between business operations and business environments has become a significant subject. The level of relationship through both internal and external environments of the business in since of operation requires a justification of interrelationships so that business objectives appropriate to the available resources and market conditions can be established. This study is a broad assessment of the relationship between business operation and information systems through the ERP at ‘Y’ bank. Operation is considered one of the core activities at ‘Y’. Therefore, realising and understanding the benefits of ERP can enhance its adoption. In this study, the researchers employ a qualitative method, presenting the literature on ERP and utilising a case study approach to understand the how and why of using ERP at ‘Y’. This study discusses the benefits and factors for ERP adoption. The results show that there are strong relationships between ERP adoption and needs for integration at an operational level within ‘Y’.

Keywords: Information systems, ERP, business operation, case study

1 INTRODUCTION

Operational activities have been significantly affected by IT in various ways among industries and firms (Applegate et al., 1999). Aligning organisation operations with information systems (IS) is vital for cost control purposes. The first aim of IS is to support the firm, focusing on information technology (IT) applications that improve operational efficiency, by facilitating the development and implementation of the connection between business and IT strategies. The second aim is to increase profitability by maximising the organisation’s IT investment and forging alliances between IT and business strategies. Operational level alignment focuses on IT and on the way it affects daily business work. In addition, it also shows the fit between strategy and infrastructure, as well as business-IT functional integration (Papp, 1999).

The importance of an information systems plan (ISP) comes from information systems (IS) as an organisation attempts to increase its benefits in efficient applications, business processes reengineering, and gaining competitive advantage (Teo & King, 1997; Pant & HSU, 1999; Turban et al., 2005; Applegate et al., 1999; Earl, 1996; Ward & Peppard, 2002; Gonzales et al., 2009). Weill and Broadbent argued that an understanding and improved relationship between IT and business operations support a firm’s decision to invest in IT applications that enable business strategy. Nevertheless, the ISP has been described by Reich...
and Benbasat (1996) as a mechanism to obtain what they call linkage, so there is some
disagreement about whether IS integration is a process or an outcome (Avison et al., 2004).
Luftman (2000) and Hinton (2006) argued that there are activities that management should
perform to obtain goals among IT and other organisational functions, and that this is the focus
of strategic alignment in order to gain competitive advantage.

In order to achieve competitive advantage, there is a need to analyse competitive
issues such as cost reduction, growth, and innovation. A number of researchers, such as
Smaczyń (2001), have argued that IS/IT alignment is not separate from business strategy;
they use the term ‘fusion’ to characterise the relationship (Avison et al., 2004). Electronic
business (E-business), for example, has a strong impact on the nature of competition and
changes it (Earl & Khan, 2001, Applegate et al., 2008). Another important factor to success of
the business strategy is thoroughly integrated business activities and processes.

As a result, organisations such as banks are now enabled to be successful in a global
environment through their ability to obtain valuable data through different systems. There are
two pressure inconsistencies in managing a global service organisation. First, to what extent
should operations be decentralised and with what business process should it be outsourced?
Second, is there a competitive pressure to centralise functional management and integrate the
organisation’s operations? In order to succeed, integration needs to be measured (Shore,
2006). Strategic performance measurement systems (SPMS), such as balanced scorecard
systems, can provide managers with feedback. This feedback may illustrate the connection
between business activities and strategies (Chenhall, 2005), thereby demonstrating the need
for continual IT planning (Philip, 2007). Nevertheless, this planning of IT can be improved
from daily operational activities. From these points of views, this study considers how the
ERP can be activated within an organisation in a global environment.

2 ERP AND ORGANISATION FUNCTIONS

Competitive advantage can be obtained by IS in four ways: (1) building channels
between the organisation, its customers, and suppliers; (2) improving the value-adding
process and the value chain’s primary activities by integrating the organisation’s use of
information; (3) using information to allow the organisation to develop or produce new
products and services and markets; and (4) support senior management in the decision-
making process to develop and implement strategies (Somers & Nelson, 2004; Ward &
Griffiths, 1996). Robson (1997) explained that industry transformation, such as the IS
revolution, affects the marketplace as well as market space. What he proposed is an
organisational transformation in the way that IS affects the business in terms of both revenues
and costs. Therefore, the organisation should try to construct an equation between revenues
and costs, and the information should be seen from more of a management perspective and
used more as a business resource. To achieve this, three key points for management to judge
its understanding and use IS strategically were highlighted. These are the critical relationships
between IS activity and business operations on a daily basis, the critical connections between
planned applications and future competitiveness, and the extent of information intensity
associated with products and functional areas. Shore (2006) stated that the price of entry for
running a business is the cost of integration (Basahel et al., 2009).

Enterprise Application Integration (EAI) as an integration mechanism with two
important capabilities for an organisation. These are: (a) reaching enterprise level integration
and (b) encouraging customer relationship management. An integration mechanism intends to
use a plan, method, and tools. Linking different systems and applications throughout an
organisation enables the organisation to survive and react quickly to any market changes, and this is the challenge which EAI faces. Application-to-application integration is the most focusing of EAI; it is important for current IT in an organisation to discover systems and their scopes. Schmidt (2000) claimed that EAI can be used to achieve all levels of integration, referring to the organisation’s structure, which must be adopted for successful integration solutions and global business processes (Mendoza et al., 2006; Themistocleous et al., 2006). This would be supported by applying ERP instead of internal integration to support the external integration of the organisation.

Identifying and understanding the operational value of IS/IT for an organisation are considered important in the adoption of ERP (Davenport et al., 2004). Ward et al. (2006) suggested that a people-centric approach can be applied to appropriately consider the benefits that can be provided by IS/IT for organisations. The benefits of IS/IT can be measured by improvements in the performance of roles and tasks within the organisation. Obtaining real business benefits requires learning how to plan effectively and strategically and aligning the IS plan with the business plan (Robson, 1997; Clarke, 2006). Studies have shown that the relationship between the chief executive officer (CEO) and chief information officer (CIO) is an important factor in the success of strategic IS adoption (Lee & Bai, 2003; Somers & Nelson, 2004; Tai et al., 2000).

ERP deals with the exchange of information between organisations’ functions. It is also the system that connects information situated in more than one function. This system can be used by international organisations, multinational companies, and virtual global firms to complete cross-function processes using automated backend operations from different functions, such as financial, marketing, and inventory. Important drivers for using ERP include reducing cost while increasing the effectiveness of business processes, and reducing time. There are many benefits: avoiding routine costs, reducing errors in information flow, saving time in business transactions, avoiding paper processing, and improving the ease of information use for users of ERP. There is also an important benefit of ERP in that it improves relationships with customers and suppliers in that it supports inter-organisational systems (IOS). Table 1 shows a classification of ERP benefits which relate to operational focuses (global, competitiveness, alignment). The justification for these focuses is the research focused on the global use of ERP. Nevertheless, the main goals of ERP are alignment (internal) and supporting the business to obtain and sustain competitive advantage.

<table>
<thead>
<tr>
<th>Focus</th>
<th>Benefit</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Analysis</td>
<td>Support decision-making process</td>
<td>Laudon &amp; Laudon (2011); Robson (1997)</td>
</tr>
<tr>
<td></td>
<td>Increase organisation efficiency</td>
<td>Earl (1996); Cunha &amp; Figueiredo (2000); Weill &amp; Ross (2004); Benson et al. (2004); Ward et al. (2002)</td>
</tr>
<tr>
<td></td>
<td>Improve open culture of organisation</td>
<td>Ward et al. (2002); Irani et al. (2005); Hunter et al. (2006)</td>
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<tr>
<td></td>
<td>Enable users</td>
<td>Laudon &amp; Laudon (2011); Robson (1997); Alert (2009)</td>
</tr>
<tr>
<td></td>
<td>Increase productivity of employees</td>
<td>Shore (2006); Turban et al. (2011)</td>
</tr>
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<td></td>
<td>Support coordination of work</td>
<td>Mendoza et al. (2006); Earl (1996); Weill &amp; Ross (2004)</td>
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<td></td>
<td>Reduce cost</td>
<td>Apte et al. (1990); Shore (2006); Benson et al. (2004); Ward et al. (2002); Pearlson et al. (2000)</td>
</tr>
<tr>
<td></td>
<td>Interface and support different organisational levels</td>
<td>Laudon &amp; Laudon (2011); Turban et al. (2005); Dhillon (2005)</td>
</tr>
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<td></td>
<td>Improve growth and success</td>
<td>Irani (2002); Benson et al. (2004); Ward et al. (2002)</td>
</tr>
<tr>
<td></td>
<td>Create new strategic opportunities</td>
<td>Robson (1997); Earl (1996); Benson et al. (2004); Ward et al. (2002)</td>
</tr>
</tbody>
</table>
Increase quality | Shore (2006); Irani et al. (2005); Benson et al. (2004)
Offer new strategic options | Irani et al. (2005)
Support reactions to changes | Laudon & Laudon (2004); Irani et al. (2005); Levy et al. (2000)
Support organisational teamwork | Benson et al. (2004); Laudon & Laudon (2004); Irani et al. (2005)
Increase organisation effectiveness | Earl (1996); Cunha & Figueiredo (2000)
Support collaboration and sharing information | Shore (2006); Weill & Ross (2004); Ward et al. (2002)
Develop/produce new market | Laudon & Laudon (2004); Pearlson et al. (2000); Robson (1997)
Develop/produce new product/service | Robson (1997); Pearlson et al. (2000); Weill & Ross (2004); Benson et al. (2004)
Obtain competitive advantage | Ward et al. (2002); Robson (1997); Applegate et al. (2008)
Increase organisation competitiveness | Turban et al. (2005); Ward et al. (2002); Laudon & Laudon (2004)
Display market leadership | Weill & Ross (2004); Irani (2002)
Support innovation | Carr (2003); Power (2006) Weill & Ross (2004); Benson et al. (2004); Ward et al. (2002); Burgel et al. (2008)
Increase customer services and satisfaction | Weill & Ross (2004); Ward et al. (2002)
Become a leader in new technology | Irani (2002)
Improve the relationship with customers | Turban et al. (2005) Weill & Ross (2004); Ward et al. (2002); Laudon et al. (2004)
Enhance competitive advantage | Ward et al. (2002); Laudon & Laudon (2004); Irani (2002)
Improve market share | Irani (2002); Laudon & Laudon (2004)
Become responsible locally (markets, government) | Weill & Ross (2004); Earl (1996)
Integration of IS strategic plan with business strategic plan | Robson (1997); Galliers & Leidner (2003); Benson et al. (2004); Ward et al. (2002)
Improve the relationship with suppliers | Ward et al. (2002); Laudon & Laudon (2004); Pearlson et al. (2000)
Improve resource control | Robson (1997); Levy et al. (2000)
Integrate or become independent of IS function | Turban et al. (2005); Hinton (2006)
Improve global efficiency | Earl (1996); Mohdzain et al. (2007)
Support global organisation | Shore (2006); Galliers & Leidner (2003); Mohdzain et al. (2007)
Attain global alliance | Earl (1996); Mohdzain et al. (2007); Saglietto (2009)
Improve resource creativity | Robson (1997)
Improve resource flexibility | Weill & Ross (2004); Robson (1997)
Improve resource learning | Robson (1997)
Create standards | Shore (2006); Turban et al. (2005); Benson et al. (2004)
Improve knowledge | Mutch (2008); Galliers & Leidner (2003); Robson (1997)
Compose by integrating smaller systems | Turban et al. (2005)
Support learning transfer | Earl (1996)

Table 1: Classification of ERP benefits

3 RESEARCH METHODOLOGY

ERP adoption is a strategic and operational issue. This means that it is connected to different levels of business management, as mentioned in the previous section. Nevertheless, this study pertains to the global environment, so there are many dimensions to consider, such as global, organisational, managerial, and technical levels of operations. The benefit of this investigation requires the integration of business units’ processes. This requires one to understand alignment issues using ‘how’ and ‘why’ questions and to understand the benefits and factors that may affect integration (degree of measurement and purpose) using the ‘what’ questions. Thus, the case study approach has been applied.
3.1 RESEARCH DESIGN AND STRATEGY

The case study is a research strategy in which a real-life ERP might be studied within an organisation. A particular case attempts to study and focus on relationships. That is, ‘to obtain a rich and detailed understanding of strategy from multiple viewpoints, consider the case studies or historical approaches’ (Chan et al., 1992, p. 194). The researchers spent time in the field to understand issues and priorities. The objective of this study is to investigate the link between organisational activities integration and ERP within the firm, paying close attention to the importance of connecting ERP with operational integration within the business environment. This is carried out by interviewing different activities’ managers and IT staff.

3.2 DATA COLLECTION

Five interviews were conducted. The first interviewee was the manager of an ERP project dealing with technical information regarding IT activity. Two managers were from operations, namely, the manager of international networking projects (INP) and the manager for IT networking projects (ITNP), and two were from IT, namely, the chief information officer (CIO) and the system development manager (SDM). There was also one meeting to gather pertinent ERP documents. Semi-structured interviews were used, and all interviews were recorded and transcribed for clarity. Recordings were then sent to the interviewers to review them for enhanced validity. The maximum time for the interviews was one hour, and the minimum was about 30 minutes. All the data from the interviews and documents were integrated. The major component of the analysis examined the connection between ERP adoption and organizational activities.

4 FINDINGS AND DISCUSSION FROM THE QUALITATIVE METHOD

The focus of the analysis relies on ERP in relation to the issues highlighted in the interviews, especially the cost-cutting, the integration and coordination of organisation processes, centralisation, flexibility, the development of methodologies, customer relations, opportunities, culture, chief information officer (CIO) relationships, and change.

The interviewees were asked to verify the benefits of adopting the ERP system for Y. The CIO stated that ‘This is part of the IT projects’ He also mentioned that:

‘In IT planning, the state must be international as we require. The story of limited thinking in planning is not successful at all. Economy and infrastructure of different countries where we operate must be considered in our planning, and open, in order to support the flexibility and personal communication’

It also reported by the CIO that Y believes that it is necessary to use different technical support such as wireless technology. The use of technology is very important in terms of communications such as reporting. The Y bank presents its annual report to more than 22 countries and this includes planning and forecasting. This explains the integrating report systems and the need for decision support systems for managers to improve the efficiency and effectiveness of the business process as mentioned in section 2.
A summary of Y’s views about the benefits of ERP is presented in Table 2. These benefits were classified as strategic, competitiveness, and integration. There was similarity between some interviews regarding benefits. As a result, the table shows two columns. From this information, the following can be inferred:

**Strategic benefits for Y**

Table 2 shows that there are similarities and differences between interviewees’ views, but strong similarities exist when it comes to ERP benefits. Most of these benefits are considered highly important aspects of Y’s ERP adoption. The most significant differences (between the CIO and SDM) reveal insights about coping with increased organisational efficiency and reducing costs.

**Competitiveness benefits for Y**

Table 2 also shows that there are similarities between interviewees’ views about competitive benefits. The only differences expressed about competitive advantage as a benefit of ERP are clearly between the CIO and SDM. Most of these benefits are considered to be highly important aspects of Y’s ERP adoption. The SDM ranked competitive advantage as having medium importance, whereas, the CIO ranked it as being highly important.

**Integration benefits for Y**

In this category of benefits, the similarities between interviewees’ views are more noticeable. The differences involve improved resource control and whether the ERP solution should require integration or become independent of the IS function. Most of these benefits are considered highly important to Y’s ERP adoption. The researchers have used the Miles and Huberman (1994) scales with its rankings of high importance (●), medium importance (○) and low importance (□), because there are three levels of importance in describing the criteria of ERP within Y.
<table>
<thead>
<tr>
<th>Adoption Focus</th>
<th>Benefit</th>
<th>CIO</th>
<th>SDM</th>
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<tbody>
<tr>
<td>Strategic</td>
<td>Support decision-making process</td>
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<td>Increase organisation efficiency</td>
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<td>Improve open culture of organization</td>
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<td>Increase organisation effectiveness</td>
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<td></td>
<td>Support collaboration and sharing information</td>
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<tr>
<td>Competitive</td>
<td>Develop/produce new market</td>
<td>●</td>
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<td></td>
<td>Develop/produce new product/service</td>
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<td></td>
<td>Obtain competitive advantage</td>
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<td></td>
<td>Increase organisation competitiveness</td>
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<td></td>
<td>Display market leadership</td>
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<td></td>
<td>Support innovation</td>
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<td>Increase customer services and satisfaction</td>
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<td>Become a leader in new technology</td>
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<td>Become responsible locally (markets, government)</td>
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<td>Aligning</td>
<td>Integration of IS strategic plan with business strategic plan</td>
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<td>Improve the relationship with suppliers</td>
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<td>Improve resource control</td>
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<td></td>
<td>Integrate or become independent of IS function</td>
<td>●</td>
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<td></td>
<td>Improve global efficiency</td>
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<td></td>
<td>Support global organization</td>
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<td></td>
<td>Attain global alliance</td>
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<td></td>
<td>Improve resource creativity</td>
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<td></td>
<td>Improve resource learning</td>
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<td></td>
<td>Create standards</td>
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Basahel and Aljomaih
Investigating the benefits of enterprise resource planning (ERP) in global organisations
One of the main challenges for the bank is the acceptance of using new technology. If employees are used to working with certain processes, that may create problems when Y develops new ones, as employees may persist because they are used to the old processes. When there is a new technology, Y has been uncertain whether to change completely from one technology to another, but this is one of the important factors of any IT planning. Y has to manage the changes, to consider the users and explain the benefits to them.

In the global sphere, Y’s plans are different. There is knowledge transfer, new technologies, competencies, different environments, but Y has limited planning resources. Also, in terms of challenges, Y cannot work alone. Not all branches in different countries are goals for Y alone. There will be different ways of doing business. There will be a lot of coordination that has to be done, and this requires enormous resources. When its resources are scarce, Y will have difficulty focusing on all these projects. That is because a lot of activities are not integrated. So this will be a global difficulty for Y. The alliance is based on partnership as Y believes; because all these banks have discovered that none of them can work alone. Y can only do it through partnerships. Y has to build relationships with partners on the ground. The INP described this as follows:

‘This is the way we operate. You’ve got to harmonise policies or procedures – that you cannot just do easily. Sometimes we have common institutional arrangements with African, Asian and US institutions. These things are always done using technology. We also have the same – for example, a country database. It is based on the database of the World Bank. It has a format which uses IT.’

An ‘e-Business environment’ is a combination of information technology infrastructures and applications with the Internet medium (including the World Wide Web, intranets, and extranets) to support business activities. Building a robust and cost-effective e-Business environment will contribute to the achievement of the strategic objectives of Y, and it will have significant positive impacts on how Y’s activities are performed (source: strategic document from Y).

From the empirical data, there are many motivations such as strategic, competitiveness, alignment and technical for adoption of ERP as case Y bank illustrated. These are important factors that influence the adoption of ERP. These factors are presented as benefits of ERP in the section 2.

Recognising the benefits of ERP for an organisation is critical in evaluation of the ERP adoption. Thus an organisation considers the benefits of ERP during the early stage of process design and adoption in order to determine its contribution to the organisation. In case Y, it appears that the benefits of ERP were verified; however, the way they verified these benefits were cleared in terms of specification of the benefits. Y presented clear, specific, and focused in benefits. however, these benefits are important because of their influence on requirements and drivers of ERP adoption for the organisation as well as on the IT strategic plan (Ward and Peppard, 2002; Earl, 1996, Mohdzain et al., 2007, Applegate et al., 2008). Thus, this factor has more weight when benefits such as strategic benefits, competitiveness benefits, and alignment benefits are considered (Turban et al., 2005; Dhillon, 2005).

| Improve knowledge |   |   |
| Composer by integrating smaller systems |   |   |
| Support learning transfer |   |   |

Table 2: A summary of interviewees’ views about the benefits of ERP in Y
Nonetheless, clear benefits, illustrated by organisations, lead to greater understanding of the requirements and drivers that support obtaining these benefits.

5 CONCLUSION

This study presented a critical review of the literature relating to ERP adoption at Y bank. Beginning with a discussion of the integration of IS on a global scale, the discussion illustrates the benefits of ERP as an important controller of such adoption. The classification of ERP benefits was developed from the existing literature. These benefits are categorised according to the strategic focuses of ERP, as explained in Section 2.

After the ERP adoption benefits were identified, they were connected to adoption benefits for Y bank (study contribution). The main result of the case study was the indication of attention paid to the ERP as integrated business units, which, in turn, created sufficient agreement among workers about the benefits of ERP adoption to justify integrating the firm’s activities. These benefits have been identified as the agreement criteria for the ERP adoption to support decision-makers throughout the adoption process. In other words, implementing such taxonomy may support the success of practical implementation because it takes into consideration multiple perspectives from different stakeholders. Such stakeholders are rich in knowledge and have broad viewpoints regarding the improvement of ERP benefits. Implementation should be structured and built in a systematic way, with an in-depth understanding of the circumstances and the environment.

5.1 LIMITATIONS OF THE RESEARCH

The most important limitation is the number of interviewees. This type of research requires more time and more access to collect the necessary data from a large number of employees in order to determine the main contribution of ERP. Furthermore, other industry experiences and cases would help to more broadly generalise the results of this study.

5.2 RECOMMENDATION FOR FUTURE WORK

This research investigated the relationship between ERP and integration processes within “Y”. In other words, it examined operation issues for both business and IT alignment or integration. Thus, future research could also consider human aspects of ERP implementation and practices in organisations similar to “Y” because a probable majority of employees need to enhance their knowledge of ERP applications, competitive advantage, innovation, and technical support. From the interviews conducted, it is clear that there is some difficulty in understanding certain important aspects of ERP, such as innovation.

5.3 LESSONS LEARNED

Some lessons from the study included:

- Implementation of project management skills is helpful because there is a large number of projects that need to be monitored in ERP planning and development. These skills are useful in making more efficient use of time and resources, as well as improving the likelihood of eventual project success.
• The use of an ERP development methodology may support the success of practical implementation because it considers many ideas from others, some or all of whom may be rich in knowledge and have broad points of view pertaining to improvement opportunities. Implementation should be structured and built in a systematic way, with an understanding of circumstances and the environment.

References


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