



Competitive advantage of enterprise resource planning vendors in Iran

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ARTICLE INFO

Article history:

Received 19 September 2009

Accepted 22 September 2009

Keywords:

Enterprise resource planning (ERP)

ERP selection model

ERP market

ERP vendors

ERP selection model

ABSTRACT

Enterprise Resource Planning (ERP) has become one of the competitive advantages for companies around the globe and the dynamic force driving the process of global integration through information. Governmental organizations are increasing their adoption of these systems for various benefits such as integrated real-time information, better administration, and result-based management. Reaching the standard level of being a global company, organizations are concerned about this application and invest in this project for many years and, as a result, help the company reduce the cost and increase the efficiency and effectiveness. Iranian organizations, along with multinational companies, attempt to be a good player in the flow of this change. The primary purpose of this study is to investigate and determine the competitive environment of ERP vendors implementing their product in Iranian context. The authors investigated the activities of both international and local ERP vendors established in the country and analyzed them by their advantages and potentials.

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1. Introduction

The world of business is changing at an ever-accelerating rate. Globalization continues to shrink distances and shorten timeframes. New alliances form that break traditional boundaries. Mobile technologies and the internet require business to operate around the clock and around the world. And new regulatory pressures increase the need for information and transparency. In the face of these challenges, the role of technology is also changing rapidly. According to a study conducted by The Economist, business no longer views IT as merely a productivity tool. Fully 82% of responses view technology as a critical factor in their ability to change their business processes and remain competitive in the years ahead. In such a complex environment, organizations need multi-dimensional solution suites that can help them protect

their sustainable competitive advantages and collaborate with the new enterprise management systems.

Enterprise Resource Planning (ERP) Systems attempt to integrate all departments and functions across a company into a single computer system that serves different departments.

ERP systems have become the solution to many organization's accounting, scheduling, and production problems [14,11,2]. With implementation of ERP systems, an organization can achieve integration of data and standardization of processes throughout the organization and access to organization-wide data in real time.

Organizations that have successfully adopted ERP systems view them as one of the most important innovations that have led to the realization of substantial tangible and intangible improvements in a variety of areas [2,3,13]. Several vendors including SAP, Oracle and SAGE sell and support ERP systems, but the ERP systems industry has been changing over the past few years. For example Microsoft, Great Plains, and Navision have begun entering the ERP markets and are pressuring the major

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players. Companies are merging and others have gone out of business. Therefore, selecting the proper ERP system vendor is even more important than in the past. Organizations must make sure that their ERP systems vendors will be around both during and after the implementation for technical and other types of support [1].

Because of their complexity, implementing ERP systems usually requires using the internal or external consultants and experts who are professionals and knowledgeable about the installation of software and hardware. Most organizations prefer or must have external consultants perform the implementation. External consultants usually have more expertise with ERP implementation than an organization IT staff. In some cases, ERP vendors also act as consultants. In other cases, organizations hire separate, independent consultants to work with ERP vendors. Consultants often assist with ERP system implementation throughout the entire process because the ERP system software and the implementation procedures are complex [14,19,18].

ERP projects are set apart by their complexity, enterprise-wide scope and challenges posed by the accompanying large-scale organizational changes in transition to new systems and processes. In the long-term, the impact on the organization's information technology (IT) support and maintenance and organizational performance of ERP projects is still unknown. Despite wide spread popularity of ERP, not all organizations are aggressively adopting ERP systems. Some have adopted certain stand-alone or partially integrated functional modules, while some organizations have even discontinued implementing ERP systems after adoption [2].

ERP implementation is a complex exercise in technology innovation and organizational change management [13]. The ERP adoption process is also important because ERP applications lock the operating principles and processes of the organization into software systems. Organizations must reconcile the technological imperatives of the enterprise systems with the business needs. The cost, complexity, investment of time and staff, and implications of modifications, make a rollback after adoption very difficult. One extreme example of not getting strategic ERP adoption choices right is FoxMeyer Drugs, where the bankruptcy trustees are suing its systems' vendor and consultant company, blaming the ERP system for its business failure [11].

So as we can see, selecting the right vendor who will be at hand and reliable is a very important factor specially in Iran which there are very few international vendor in the market and it tends to take root if the company does not make the right choice among the vendors this can have a great payback.

2. Research methodology and objects

The lack of empirically supported research in Iran on the environment of ERP vendors and their project has motivated our team to study the ERP competitive environment by surveying the organizations that adopted ERP in their systems, and the current vendors which are

active in Iranian market. Unfortunately there is no reliable source of information for ERP vendors and their current situation in Iran including books, articles or research paper. So this research will be one of its kinds that give the updated and reliable information about this issue. This could be important to know the competitive environment for Enterprise systems and knowing the capability of local Iranian companies which is developing customized ERP systems for Iranian organizations.

This research examined the impacts of environment of ERP systems on Iranian organizations. Specially, it was intended to identify how firm were leveraging their ERP environments to generate business value. Thus, we identified firms that had gone live (or were starting to go live) with one of the leading ERP packages (SAP, Sage, Oracle, IFS) firm-wide or within a major division. All implementations included manufacturing modules, inventory modules, accounting modules and some combination of financial, sales and marketing, and other modules. Data was involved interviews at fifteen different companies. Interviews at each firm sought four different perspectives on the ERP implementation: (a) an executive who sponsored the implementation, (b) a manager who headed up the implementation, and (c) a business executive whose function or division was impacted by the implementation and independent IT consultants who were involved in some ERP implementations in firms. The sample intentionally sought diversity in the ERP packages.

This research is likely to generate a base for further detailed research on implementation concerns of ERP in Iranian organizations.

About the research approach we follow a more qualitative and scientific research approach. This kind of research provides the understanding of a problem through research instruments. The research method chosen for this research project is of a *qualitative* [9] nature through an *interpretive case study* [5,12], where *data collection techniques* [9] have consisted of a thorough literature review, secondary data review of documentation regarding the ERP vendors in Iran.

In order to do the above jobs we used a multi-channel survey combining with various tools to examine the hypothesized factors and research framework and the questionnaire is adapted from prior literature.

3. Literature review and framework

ERP is such a strategic tool, which helps company to gain competitive advantages by integrating all business processes and optimizing the resources available.

The implementation of an ERP system is a very time-consuming, expensive, and arduous task of information technology executives from fortune 1000 companies who had implemented ERP, 44% reported that they had spent at least four times as much on implementation as they had on the software license itself. So as we can see, selecting the right vendor who will be at hand and reliable is a very important factor specially in Iran which there are very few international vendor in the market and it tends

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