ERP II is Dead- Long Live CRM

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Abstract

In the early 2000s, several practitioners and authors have predicted the overshadowing of customer relationship management (CRM) systems by what is called enterprise resource planning systems II (ERP II). ERP II was envisioned to virtually cover all the processes within organizations from supply chain, CRM, to e-business. In 2000, Gartner group published an article titled “ERP is dead, long live ERP” in which they argued that in near future, ERP systems will overcome the need for other specialized systems (e.g. CRM). While there have been major advances in ERP systems since then, and the fact that most current ERP systems include CRM modules and applications, however, separate CRM systems are still widely adopted by organizations. Thus, this research attempts to investigate the main reasons that motivate organizations to invest in distinct CRM systems instead of using the CRM related modules in the acquired ERP system. Via a multiple case study, our results show that ERP II as envisioned, is not existent yet. Organizations tend to prefer separate CRM systems. Thus, we have developed four main reasons for this preference, which are: scoping during ERP implementations, costs, features, user-friendliness and ease of use. This paper, ultimately, leaves space for further research.

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1. Introduction

Before Enterprise Resource Planning (ERP) systems have become the standard in many organizations, companies typically processed data and information using several dispersed information systems and packages. Today, ERP systems support different business functions by using one logical database that links and connects the various functions in the organization.

By the new millennium, several authors and practitioners have predicted that customer relationship management (CRM) modules, domain-specific operations, and e-business enablement will become standard in future ERP packages. They called it ERP II, as an evolution of the traditional ERP. Nowadays, major ERP vendors have responded to this vision and offer pre-customized domain-specific systems, e-business ready modules or interfaces, and CRM modules and applications. While most major ERP systems have a CRM module included, such as SAP, Oracle, Compiere, and ODOO, however in practice, we observe a big number of organizations still adopting distinct CRM systems. Thus, in this paper we attempt to explore the reasons why organizations are still investing in separate CRM systems, which might not even be integrated to other core processes of the company, instead of using the CRM module that comes with their ERP system. Hence, we have conducted a multiple case study in which we have interviewed informants from five case organizations in Austria, Norway, and Egypt. In addition, in an attempt to capture a wider spectrum of the different stakeholders, we have also interviewed ERP implementation partners and vendors.

We would therefore like to know what the main reasons are for enterprises, which are using an ERP system already, for adopting a separate CRM system.

This paper is organized as follows: the following section presents the study’s background literature. In section 3, we introduce our target cases and methodology. Research results and discussion are presented in section 4, and finally our conclusions and recommendations for future research are provided in section 5.

2. Literature background

ERP systems handle basic corporate and business functions, such as finance, human resources, materials management, sales and distribution. In the 1990s, ERP systems were proliferating among companies and turnovers of software vendors were high. With the current trend of moving into the “cloud” and the accompanying change to subscription-based payment plans, the business model of many software vendors has changed. The most popular players in the market today are SAP, a German company with customers in 190 countries and an annual turnover of 20.8 Billion Euro in 2015 and Oracle, a US-based company, which is also known for their database management systems and other products, has 420 000 customers and a current annual turnover of 37 Billion.

This paper focuses on the observed phenomenon of investing in a separate CRM system even though several companies might have a CRM module in their already-acquired ERP system. The authors have observed this trend in several companies in practice. Below, we introduce the basic background literature for this study, including how ERP systems are selected, and what CRM and ERP II systems are.

2.1. Selection of ERP Systems

In our theoretical background, we will focus on the selection process of ERP solutions. We do so, because we believe that the main grounds for acquiring a separate CRM either lie in the selection process of the ERP system (in other words: has the wrong ERP solution been chosen?) or because of other reasons, such as the ERP system’s characteristics or issues that cannot be influenced directly (e.g. internal political decisions).

ERP system implementation projects may differ from traditional system implementations in scale, scope, complexity, organizational changes, project costs, and the need for business process reengineering. The percentage of ERP implementation failures is over 60%, and half of the all-time top-10 failures are from market leading ERP vendors. It is therefore easy to understand why ERP system implementations are complex and resource-intensive projects, spanning from the adoption decision, the acquisition phase, the actual implementation phase to the use and maintenance phase and, ultimately, the evolution phase, which will eventually be followed by a retirement phase. The selection of an ERP vendor and the respective product is a part of the acquisition phase.
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