Utilizing the Enterprise Information System

Imperative to Organizational Productivity and Commerce

Information systems have become an integral part of how a business works and competes. They now support every business objective and practice. The systems that support core business activities for the entire organization are known as *enterprise information systems* or enterprise resource planning systems. Without them, no organization could easily take orders from customers, buy goods from suppliers, make sure that there is sufficient inventory or keep track of employee compensation and vacation balances.

Using the System

Enterprise information systems consist of some of the following areas, many of which are linked in the business' technology architecture:

- Accounting and financial;
- Human resource management;
- Sales and order management;
- Logistics and supply chain;
- Manufacturing;
- Inventory management;
- Customer relationship management.

Enterprise information systems do not include those areas that serve only a small part of an organization – say, a stand-alone system to manage the legal department. They also would not include systems for analyzing data, supporting decisions or for sharing knowledge within an organization.

The primary focus is on **core business transactions**. Because of their importance and complexity, enterprise information systems have changed radically the traditional formula for business. It used to be that businesses decided what they wanted to do, then build the systems to accomplish it. Now they must think first about what they can accomplish with these systems, and then proceed to do it.

Implementing and Obtaining Value

Every business that implements an enterprise information system does so by buying and installing a package. Businesses such as SAP and Oracle supply application packages that are an integrated collection of modules – one for accounting, one for human resources, etc. Companies attempt to configure the packages to fit their particular organization situations.

Because of the complexity of the packages, it is not generally advisable to modify them beyond the limits of the configuration process – hence the constraints that these systems impose on organizational flexibility.

The configuration process has been challenging historically, since both the packages and organizations that they support are complex. Vendors often provide a pre-configured set of choices that a particular organization can select from; such as what currency to use or whether revenue will be recognized across geographical units or product groups.

The choices are complex. Deciding what options a particular company needs to fit its organization and way of doing business requires both business and technical decision making. Many business executives do not understand these systems or the importance of not modifying them

continuously. The idea that they should change their way of doing business to suit the limitations of an information system is often hard for them to understand. But they must walk the line and continue with the configuration process in order to meet their business objectives.

One of the key challenges with such systems is to achieve real business value in the implementation process. These systems are capable of delivering such benefits as radically-improved business processes, reductions in inventory, increased sales (through one-stop ordering and prevention of stock-outs) and better management of financial and physical assets.

However, most organizations fail to achieve these benefits because simply installing the system often becomes the overriding objective. This is particularly true for organizations that attempted to install enterprise systems before the Y2K bug took effect, which cost in the tens or hundreds of millions of dollars for large organization. The key to achieving benefit is to view the project not as a technical initiative, but as a business change project with clear objectives and measures.

Making a Full Transition at One Time

The secret to successfully running an enterprise information system is its tight integration with the business that it will support. To be effective, it must be closely aligned to a company's business processes, information, organizational structure and strategy. While this integration is positive in the sense that businesses can get higher-quality information than ever before, it is also challenging to deal with, both at the time of implementation and thereafter.

During implementation, the integrated nature of these systems means that organizations must "change everything at once." Henceforth, they must make sure that all aspects of the organization that will be affected by the system are consistent with their objectives for them.

For example, an organization may wish or need in the course of its enterprise information system project to develop greater consistency in definitions of key information across different business units. At the same time, it may want different units to share the same process for reporting financial matters.

Identifying and bringing about these changes in the business may be much more difficult than simply configuring and installing a new system. However, it is the system project manager and its members that get saddled with the responsibility for making the changes. Because the project involves business change as well as a new system, many organizations put a senior executive in charge of the project such as the chief operations officer or financial officer.

Four Steps to Effective Implementing

1. Create the project as a business change initiative by identifying first the business objectives that the new system will enable;
2. Select a package from a well-established vendor that has all the functionality your organization needs;
3. Don't put off the changes in business processes and organizational structure until after the system is installed;
4. Tie incentive compensation of the project team, sponsoring executive and any consultants used to the successful accomplishment of business objectives.