Chapter II
Enterprise Resource Planning Systems in a Global Environment

Paul Hawking
Victoria University, Australia

ABSTRACT

Companies around the world are placing increasing emphasis on strategy development and implementation. Some argue that this increased emphasis is in response to market forces of increased competition and globalization, and the need to be flexible and adaptive to the business environment. Strategy development and implementation is a multifaceted task reliant on a number of interdependent factors. One of these is the role of information technology which in recent times has become an integral part of most companies' strategies. This chapter discusses the role of strategy development and the importance of the alignment of business and IT strategies in a global environment. It discusses the role of enterprise resource planning systems on strategy development and how these systems underpin many strategic objectives companies strive for in a global environment.

STRATEGY DEVELOPMENT

There is a plethora of articles, books, and presentations on the importance of strategy in today's companies (Mintzberg, 1994; Porter & Miller, 1985; Kaplan & Norton, 1996). But even with this emphasis, companies struggle with their strategy development and implementation. This is reflected by a much cited reference to a *Fortune* magazine article which stated: "Less than 10% of strategies effectively formulated are effectively executed" (Kaplan & Norton, 1996). In other words more than 90% of companies that are able to create an effective strategy struggle to implement it.

A possible reason for this finding may be the diverse views of what a strategy is. The increased focus on strategy has resulted in the word "strategy" and its derivatives being concatenated with

a broad range of terms in an attempt to imply a higher level of importance—for example, strategic planning, strategic learning, strategic thinking, strategic leadership, corporate strategy, business strategy, and functional strategy. This is further reinforced in Mintzberg's (1994) landmark article "The Rise and Fall of Strategic Planning," where he argues the virtues between strategic planning and strategic thinking. In terms of what a strategy actually is, Minztberg (1992) defined strategy as:

A plan—some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. By this definition strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully.

He further attempted to define strategy from the perspectives of being a plan, a ploy, a position, a pattern, and a perspective (Ikavalko & Aaltonen, 2001). Porter's (1996) definition of strategy focuses more on the outcome: "the creation of a unique and valuable position, involving a different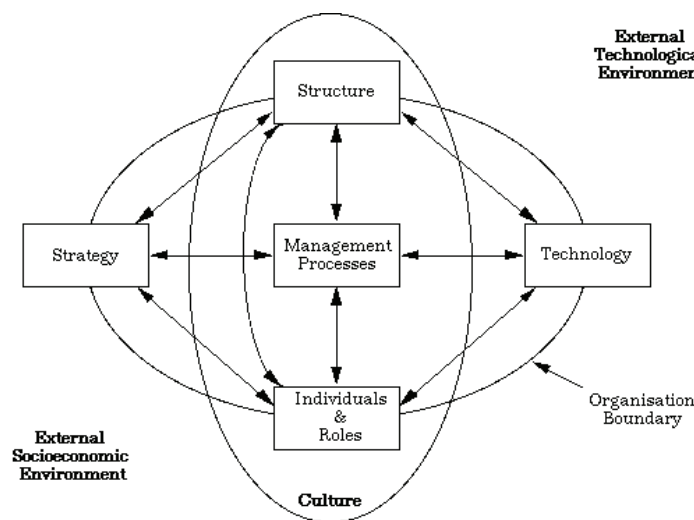 set of activities." He believes that a strategy is a way an organization seeks to achieve its vision and mission, and that a successful strategy allows a company to capture and sustain a competitive advantage.

The emphasis on the effective development and implementation of strategies has resulted in a number of methodologies being developed to facilitate this process. Two of the more accepted methodologies are Porter's Value Chain (1985) and Kaplan and Norton's (1996) Balanced Scorecard. Both methodologies adopt a multifaceted approach involving a number of perspectives to strategy development and implementation. This assists in identifying the interrelationships between the various facets that impact upon strategy and facilitates the devolution of the strategy to operational terms.

The Balanced Scorecard (Kaplan & Norton, 1996) views strategy development and implementation from four interrelated perspectives:

- Financial
- Customer
- Internal
- Learning and growth

Figure 1. Scott Morton's (1991) five forces influencing strategic objectives

Related Content

Mapping a Typology for Identifying the Culturally-Related Challenges of Global Virtual Teams: A Research Perspective

Norhayati Zakaria, Andrea Amelinckxand David Wilemon (2013). *Enterprise Resource Planning: Concepts, Methodologies, Tools, and Applications (pp. 883-900).*

www.irma-international.org/chapter/mapping-typology-identifying-culturally-related/77259

Toward a Model of Investigating Non-Decision Making ERP Communities

David Sammonand Frédéric Adam (2004). *The Enterprise Resource Planning Decade: Lessons Learned and Issues for the Future (pp. 226-247).*

www.irma-international.org/chapter/toward-model-investigating-non-decision/30335

Enterprise Resource Planning Systems in a Global Environment

Paul Hawking (2008). *Enterprise Resource Planning for Global Economies: Managerial Issues and Challenges (pp. 23-36).*

www.irma-international.org/chapter/enterprise-resource-planning-systems-global/18427

Transnational ERP Systems: Three Case Studies in Brazilian Subsidiaries of Multinational Enterprises

Cesar Alexandre de Souzaand Ronaldo Zwicker (2002). *Enterprise Resource Planning: Solutions and Management (pp. 143-152).*

www.irma-international.org/chapter/transnational-erp-systems/18452

Experiences of Cultures in Global ERP Implementation

Esther Brainin (2008). *Enterprise Resource Planning for Global Economies: Managerial Issues and Challenges (pp. 167-188).*

www.irma-international.org/chapter/experiences-cultures-global-erp-implementation/18435