



## **Chapter 7**

# **Assessing Enterprise Resource Planning (ERP) Adoption in the Philippines**

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## **INTRODUCTION**

The Philippines has already embraced today's fast-paced global economy. The worldwide advent of e-commerce has driven the Philippine business community to deal with changes in the way business is conducted—extending its reach, working to provide better services for customers, working more closely with suppliers and partners, and tapping new markets.

Developments characterized by the new global economy require a shift in the management paradigm of enterprises which gives premium on competitiveness, multifunctionality, and flexibility. This requires managing the technological factors of the enterprise (managing technology and managing with technology) and managing the enterprise for controlled change and stability (Khalil, 2000).

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ERP can be viewed as a valuable resource that can provide various capabilities to companies that use it. It can be a source of competitive advantage for a firm. However, the successful adoption of ERP, especially in developing countries like the Philippines, will require culture modification within a firm as it involves revolutionary changes in the way people will be doing things especially in developing countries like the Philippines. This modification raises some issues which point to the viability of ERP's use in the Philippine context.

This chapter presents an overview of ERP adoption in the Philippines by examining four Philippine business enterprises as case studies. These firms are part of global enterprises with parent companies abroad. The chapter investigates the organizational context within which ERP is applied in the Philippine setting. It also looks at the problems and issues raised by said firms in their use of ERP as a tool to achieve efficiency in the organization.

The major question that this chapter addresses is: What organizational factors play a crucial role in the successful adoption of ERP in the Philippines? Specifically, what are the forces that either drive or restrain Philippine business enterprises from adopting ERP?

The chapter's objectives are: (1) to describe and analyze the factors and forces which either facilitate or restrain ERP adoption by Philippine business enterprises; (2) to present views and surface assumptions on the value of ERP as a tool to achieve competitive advantage; and (3) to help provide insights on how organizational factors such as, management's role and organizational culture, contribute to successful ERP adoption.

## CONCEPTUAL FRAMEWORK

ERP adoption by specific Philippine enterprises is assessed based on the resource-based view (RBV) of the firm and the culture perspective on organizations.

The resource-based view of the firm looks at resources and capabilities as the source of a company's competitive position. The value of these resources and capabilities, in turn, is determined by the dynamic interplay of three fundamental market forces: demand (do they meet customers' needs, and are they competitively superior?), scarcity (are they imitable or substitutable, and are they durable?) and appropriability (who owns the profits?). Under RBV, a company's valuable resource can be of three forms: physical (like state-of-the-art manufacturing equipment), intangible (brand names or technological know-how), and an organizational capability embedded in a company's routines, processes and culture (Davenport et al., 1999).

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