Chapter 3.7

Enterprise Systems as an Enabler of Fast-Paced Change:
The Case of Global B2B Procurement in Ericsson

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ABSTRACT

This chapter studies the deployment of the SAP B2B (business-to-business) procurement application in Ericsson between 1999 and 2003, and argues that it enabled complex organizational change in a three-phase process: the implementation of said application in Spain; the evolution of the application into a regional B2B procurement platform; and its final transformation into a global, pan-European B2B procurement unit. As described in the chapter, the enterprise system allowed the company to flexibly support the majority of changes that took place during a period of explosive growth of mobile phone sales followed by an unexpected market downturn. In light of the above, this investigation studies how and why enterprise systems are able to support fast-paced changes on a global scale. In other words, this chapter presents enterprise systems as flexible and responsive infrastructures that enable organizational change.

INTRODUCTION

This chapter studies the deployment of the SAP B2B (business-to-business) procurement application in Ericsson between 1999 and 2003, and argues that it enabled complex organizational change in a three-phase process. During this period the telecommunication industry in Spain went through a period of explosive growth of mobile phone sales followed by an unexpected market

downturn. This triggered revolutionary changes in company processes as they prepared first for growth, then for market deceleration, and finally for the market downturn. For three years Ericsson reported heavy operating losses and the company undertook radical restructuring (e.g., offshoring, outsourcing, and downsizing). During this period the information system infrastructure, based on SAP applications, served as a key enabler of these changes. As described in the chapter, the enterprise system allowed the company to flexibly support the majority of actions throughout the growth and downturn phases. In light of the above, this investigation studies how and why enterprise systems are able to support fast-paced changes. In other words, this chapter presents enterprise systems as flexible and responsive infrastructures that enable organizational change.

The transformation process comprised three phases. Firstly, the Spanish subsidiary implemented the system as an enabler for agility and control in the MRO (materials, repairs, and operations) materials procurement process. This was a consequence of the explosive growth of mobile sales up to December 1999, when the legacy system was no longer able to support the unexpected high demand for materials and services from the sales and project areas, resulting in a lack of control over MRO materials and low service levels. The implementation of B2B procurement allowed the company to reduce the number of suppliers, the number of employees in the purchase area, and reduce maverick spending[1], as well as to develop a process that was both flexible and controlled. In the second phase, in response to the market downturn in 2000, the system was rolled out into the Iberia Market Unit (Portugal and Spain) as an enabler of shared services for the purchase-to-pay process. This centralization allowed the company to further reduce the number of purchasing employees throughout the area, to reduce costs of the purchase-to-pay process by an average of 30%, and to build up a network of regional suppliers. In the last phase Ericsson implemented a global

and centralized e-procurement model, designed to reduce costs worldwide. This entailed outsourcing services to a Nordic marketplace for the time-consuming activities of supplier activation, content management, and integration with suppliers. This phase allowed the company to develop a network of global suppliers and to obtain greater visibility throughout the whole process.

This study uses Pettigrew's (1990, 1997) framework to structure and analyze fieldwork factors from the perspective of the Spanish subsidiary. From this analysis emerges a model of evolutionary implementation of B2B procurement at different organizational stages (local, European, and global). It is based on an in-depth examination carried out from different angles, which include market and industry, local and global organization, and inter-organizational relations with suppliers and technological partners, while taking into account change processes occurring in parallel in other areas of the organization. For each period of study, the research investigated how these levels interact and how these forces influenced the B2B procurement implementation process. Furthermore, the study includes a longitudinal analysis in order to understand how the results of previous stages influenced the subsequent stages.

The relevant success factors inferred by a comparison of these experiences are: enterprise systems (ESs) and business alignment, the support of senior management, ES specialists, project management, change agents, communication strategies, organizational commitment, win-win relationship with suppliers, and information technology (IT) compatibility.

Finally, the study links its results to previous theory in order to explain the findings, and analyze said findings from the perspective of information system infrastructure and organization flexibility. Based on Anthony and Turner's (2000) dimensions of information systems flexibility (integration, modularity, and personnel), the study argues that enterprise systems like SAP can be considered flexible infrastructures for organizations. This

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