

The contribution of enterprize systems

Technology, Information Technology



The Contribution of Enterprise Systems Enterprise system (ES) are integrated application-software modules or packages that use data transmission, data storage and computational ability of modern information technology to support informational flow, business processes, reporting and analysis of data within and between complex organisations. It is based on a common central database that collects data from different departments, divisions and key business processes, and enables data to be shared by various functional areas and business processes throughout the enterprise. When new information is entered by one process, it is made available to all other business processes.

Organisational functions that are supported by ES are finance, sales and marketing, manufacturing and production, administration and human resources.

Effective implementation and use of enterprise systems enables an organisation to react instantaneously to orders from customers. These could be orders for products or information. Because ES avails data on order, manufacturing and delivery, it enables a company to produce only what customers have ordered and also to procure the correct amount of raw materials or components to fill actual orders. It also enables the company to stage production, reduce the time that finished products or components are in inventory.

In terms of management, ES enables the senior management of an organisation to determine which organisational products are least or most profitable. At any one time, ES enables them to find out with much ease how a particular unit of the organization is performing. ES also helps the

organisation on how to react to delayed shipment from suppliers. ES facilitates operational excellence in supply chain management (SCM). This applies to companies that produces a wide range of products and services hence it could have hundreds of suppliers (Laudon and Laudon, 2010).

In a SC, ES enables the company to coordinate activities between the many manufacturing plants and suppliers, retail outlets, distribution centres and firms involved on in way or another in the production of their products. It leads to the provision of untimely and inaccurate information and this prevents inefficiencies in the SC, excessive inventory of finished goods and underutilised plant capacities. It also reduces the bullwhip effect.

Enterprise applications involve pieces of software that are complex and expensive to purchase and implement. It might therefore take a company many years to complete the implementation of large-scale ES applications. The cost incurred for the implementation of ES in a large firm might amount to 4-5 times the initial software purchase price. These include software, consulting fees, database tools, personnel costs, hardware and training costs (Laudon and Laudon, 2010).

ES applications require a lot of technological changes as well as fundamental changes in an organisation's business operations. The ES used in SCM require the sharing business processes and information by multiple organisations. Because of this, each participant in the system might be forced to change some of its processes and how it utilises information so as to develop a system that best serves the SC as a whole. If an organisation fails to understood the amount of organisational changes required for the implementation of ES, it could incur a lot of losses and operating problems.

There are also switching costs to be incurred when switching between vendors and this creates dependency on a vendor for the maintenance of its installation and upgrading of its product. Since the definitions of data in enterprise applications are based on organization-wide definitions, the management of a company must understand exactly how their business utilises its data and how it would be organized in a SCM and ES for customer relationship management. Generally, it takes enormous amount of work for an enterprise applications to work well.

References

Laudon, J. and Laudon, K. (2010). Essentials of Management Information (9th Ed). New York. Prentice Hall.