Chapter 1 : INTRODUCTION

At least 30,000 companies worldwide have implemented ERP (Mabert et al. 2001), including over 70% of the Fortune 1000 (Barker and Frolick 2003), and AMR Research's recent ERP spending study (January, 2007) indicates that ERP budgets are anticipated to grow 13.7% in 2007, with nearly half of the companies surveyed expecting to spend more than $10 million on ERP-related activities. To compare this with past performance, in 2006 ERP represented 32% of the total application budget and on average was expected to grow by 11.9%. According to recent AMR Research report, the enterprise resource planning (ERP) applications market grew to $25.4B in 2005, and reached $29B in 2006.(October 10, 2006).

Even though many firms have adopted ERP, there is little evidence on the success of firms' endeavors with ERP. Several studies (Hitt et al. 2002; Hoffman 2004; Swanton 2004a) report that ERP systems in many firms failed immediately after implementation, but years later its value was realized, while at other firms the experience has been just the opposite. This suggests that there are factors that organizations must monitor and manage in the post adoption period in order to obtain and sustain success (Clark et al. 2006). Therefore, a number of researchers (Gattiker and Goodhue 2005; Jasperson et al. 2005; Clark et al. 2006; Karahanna et al. 1999) have become interested in what happens after ERP implementation, going beyond a focus on previous research into ERP system selection and critical factors of implementation. These researches not only informs the world that there is more to obtaining value from ERP than merely implementing it, but also explores how enterprises can sustain value after ERP implementation and use. Researchers have proposed several factors that affect benefits after implementation, including user training (Jasperson et al. 2005; Muscatello and Parente 2006; Wills and Wills-Brow 2002), systems/ processes integration (Davenport 2004; Muscatello and Parente 2006; Wills and Wills-Brown 2002; Clark et al. 2006), processes optimization (Davenport 2004; Shang 2001), informate (Davenport 2004) and enrichment of the usage of users (Jasperson et al. 2005; Clark et al., 2006). Their research provides explanations of how enterprises can take advantage of improvements to factors such as data quality that can lead to substantial organizational benefits (Redman 1995) or integration, which saves money, speeds up communications, and improves decision-making (Weil 1998). However, it is unclear why some firms were able to initiate these activities while others failed to take full advantage of their ERP systems.

Unlike custom made systems, ERP systems are pre-packaged software, with their own internal logic (process architecture and in-built processes) that embeds business knowledge accumulated from large numbers of organizations over many years. This embedded knowledge, which grows with each new software release, can enable, drive, and inspire business process redesign. An ERP System, therefore, requires sophisticated system and process knowledge on the part of its implementers and users.

Due to the complexities of knowledge comprehension and exploitation with ERP systems, this study proposes using absorptive capacity theory to explore organizational factors affecting ERP benefit realization, to help answer the question: "why are some organizations able to gain benefits from ERP systems after implementation?" The objective of this study is to learn from both developed knowledge and empirical experience about reaping benefits from ERP systems.