

The Impact of Enterprise Resource Planning (ERP) Systems on Organizations Governance

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Introduction

This section will provide a brief background on ERP systems and their importance in the business sector. It will discuss the concept of governance in companies and explore the potential influences that ERP systems could have on governance processes.

Enterprise Resource Planning (ERP) systems represent a comprehensive technological framework designed to integrate and optimize core business functions within organizations. These systems establish a centralized data repository, fostering a unified view of essential operations such as finance, supply chain management, human resources, manufacturing, and customer relationship management. ERP systems have become prevalent in various industries due to their potential benefits for businesses like:

- Process Streamlining and Automation.
- Data-Driven Decision-Making.
- Improved Cross-Departmental Collaboration.
- Adaptability to Organizational Evolution.

Research Problem

Enterprise Resource Planning (ERP) systems hold the potential to significantly transform the way companies operate. Their integration of data and processes across various business functions inherently influences decision-making structures and internal controls. While ERP systems promise benefits like enhanced efficiency and data transparency, their impact on corporate governance remains a complex area of investigation.

Questions arise about whether ERP systems strengthen governance mechanisms or introduce new risks and challenges. Potential gaps exist in understanding how ERP-driven data flows and automated processes affect accountability structures, compliance frameworks, and the overall integrity of financial reporting. Additionally, the way ERP systems shape interactions between internal audit functions and management requires examination.

This research aims to shed light on the nuanced effects of ERP implementation on corporate governance, identifying areas of both improvement and potential vulnerability within organizations.

Research Significance

This research holds significant importance as it addresses the intersection of ERP systems and corporate governance, an area with implications for organizations, boards of directors, and regulatory bodies. By examining how ERP implementations shape governance, this study contributes to a deeper understanding of the risks and opportunities associated with these complex technological systems.

Findings from this research can inform better practices for ERP adoption processes that proactively address governance considerations. It could also shed light on potential weaknesses in governance structures that emerge due to the reliance on ERP systems. Furthermore, this research has the potential to influence guidelines and standards for internal controls and audit practices in the context of ERP-enabled environments.

References

Morris, J. J. (2011). The impact of enterprise resource planning (ERP) systems on the effectiveness of internal controls over financial reporting. *Journal of information systems*, 25(1), 129-157.