Chapter 5
A Success Model for Enterprise Resource Planning Adoption to Improve Financial Performance in Vietnam’s Equitized State Owned Enterprises

Long Pham
New Mexico State University, USA

Jeffrey E. Teich
New Mexico State University, USA

ABSTRACT
Equitized state-owned enterprises (ESOEs) in Vietnam have begun to implement enterprise resource planning (ERP) systems, ubiquitous in developed countries, to improve their operational and financial performance. However, such ESOEs lack a model for ERP adoption to guide them in successfully implementing ERP systems. This study is based on an extensive review of literature on ERP benefits and the equitization process in Vietnam and relevant theories on innovation adoption, and the authors propose a success model for ERP adoption in Vietnam’s ESOEs. Model hypotheses that present relationships among factors influencing ERP adoption are given and future studies are discussed.

INTRODUCTION
Since business environments are now characterized by fierce competition and customers’ constantly changing demands, firms are required to offer customers with goods and services in a faster and cheaper manner than their rivals. In addition, firms are faced with requirements regarding how to escalate productivity, reduce operational costs and shorten delivery times to deal with shorter product life cycles and to be profitable in the fiercely competitive marketplace. It is obvious that an enterprise resource planning (ERP) system can be considered a solution for firms to achieve their aforementioned goals and to sustain their viability.

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ERP is viewed as a software package aimed at integrating every function in a firm into a single system. ERP is utilized by firms in efforts to coordinate information flows in their business processes. Thus, ERP is expected to effectively and efficiently aid a firm’s business processes, consisting of marketing, operation, distribution, accounting, and human resources. To put it another way, ERP is very likely to bring about more and better information that can be utilized by firms to gain lower costs and higher efficiency. Hence, there are a number of reasons supporting the fact that firms should implement an ERP system. According to Botta-Genoulaz and Millet (2006), motivations for firms to implement an ERP system stem from the following: (1) Poor business performance; (2) Very high cost structure; (3) Low level of responsiveness to customers/suppliers; (4) Too complicated business processes; (5) Lack of support for establishing new business strategies; (6) Business globalization process; and (7) Ineffective and inconsistent business processes.

It should be noted that ERP systems were introduced in the early 1990s, and at that time, firms from various industries did adopt them enthusiastically. For example, ERP systems were implemented by almost every Fortune 500 firm by 1998 (Monk & Wagner, 2006). In addition, in order to avoid possible issues relating to Y2K, many firms were motivated to install ERP systems. It is currently contended that ERP is viewed as an enterprise-wide information system in firms and the ERP market has been increasingly mushrooming, characterized by new technologies with additional features, for example, supply chain management (SCM), product life-cycle management (PLM), customer relationship management (CRM).

Taking into account ERP projects’ scale and factors related to their successes and failures, it is obvious that implementing ERP systems are very likely to bring about substantial and measurable impacts on business processes and decision-making by firms. However, there still exists an important question that “How can ERP make more significant contributions to firms?” Naturally, firms should believe that they will gain benefits from their ERP investments. Among stakeholders of firms, executives can be seen as very anxious to know what return on an ERP investment is and equally important, what they must do in order to realize promised benefits offered by ERP. Under the view of Berchet and Habchi (2005), significant contributions made by ERP systems are not often realized in a very short period of time because of large investments regarding project time, hardware expenditures/ software licenses, dysfunctional issues at the beginning, and end users’ possible resistance. Furthermore, Botta-Genoulaz and Millet (2005) contended that benefits generated by ERP are not likely to be in line with executives’ expectations.

Many studies on ERP adoption have been conducted. However, these studies have been primarily taken in the context of North America and Europe and to a lesser extent in other regions including a mix of developed and developing countries, such as Singapore, Taiwan, Malaysia, and Thailand. Little research on ERP adoption has been implemented in countries that are emerging as new potential markets with very high economic growth rates. Among these countries is Vietnam where its average economic growth rate (GDP) was over 7% during the 1990s and early 2000s, and especially more than 8% in 2006, which made it one of the highest growing economies in the world (World Bank, 2006).

Vietnam started a profound economic reform in 1986 that aimed to transform the country from a command economy into market oriented economy. From the early days of the economic reform, economic structure reforms and open-door policies have become an integral part of overall economics (World Bank, 2006). These reforms have been occurring in both the public and private sector. In the public sector, one of the most important aims of the State has been to restructure the state-owned enterprises (SOEs) through equitization (privatization) process. This process