

# The Impact of ERP on Business Organization in Mongolia

Ganzorig Munkhjin, Bayanmunkh Nandinchimeg

Master of Business Administration, College of Management, Da-Yeh University, Changhua, Taiwan

## ABSTRACT

Mongolian business sector can be said blooming. And its market has been expanding more. As the market expands, competition between companies is increasing. Numerous organizations are starting using ERP system and proving its efficiency to the companies. As IT once become a trend in the business environment, every organization tends to try and set up for its sake. If the global ERP vendors notice the chances and come into Mongolian every business sector, both parties could gain massive efficiency. But not only targeting big companies, if they could offer an IT system with reasonable prices to small business areas, but it would also help them to grow up and support the nation's economic situation. To prove how the ERP change and bring its efficiency to the organization, we made a project to set up ERP in a small company.

**KEYWORDS:** ERP, Mongolia, Enterprise resource system

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## 1. INTRODUCTION

ERP is an acronym for enterprise resource planning. At its most basic level, it attempts to integrate all departments and functions across a company onto a single computer system that can serve all those different department's particular needs. In other words, ERP is normally purchased as an off-the-shelf package. It's particularly relevant in the integration of supply chains enabling organizations in the supply chain to access one another databases. ERP system may access other members of the supply chain via electronic data interchange facilities but usually use internet technology to integrate information within the business and with external shareholders such as customers, suppliers, and partners. The main reason for implementing an ERP system is that it can replace a number of separate IT applications using incompatible data in different functional parts of the company.

To compare ERP systems to Asians, it has been widely used by companies in developed countries. Strong economic base and growth further drive the need for new technology. Governmental IT policy, deregulation and organizational enthusiasm for IT fuel technology development. New technologies such as ERP, SCM, and others are quickly absorbed by organizations in almost all industries.

ERP software vendors are experiencing global expansion. Asia/Pacific and Latin American countries are taking the lead. The Asia-Pacific ERP market accounts for 9% of revenues, and Latin America for 3%. Economic expansion, especially in Asian countries, is the major reason. Second, fierce competition and pressures from Western corporations

force firms in developing countries to vigorously pursue information technology.

However, ERP is in its early stages in developing countries. Inadequate IT infrastructure, governmental policies, the small size of companies, lack of IT/ERP experience, and low IT maturity seriously affect the adoption decision.

The installation of the ERP system is costly. The success depends on the skills and experience of the workforce, including education and how to make the system work properly. The systems can be difficult to use. Change of staff, companies can employ administrators who are not trained to manage the ERP system of the employing company, proposing changes in business practices that are not synchronized with the system. Having an ERP system has many advantages, but does not guarantee the total success of the company. Organizational culture, know how to involve staff and anticipate changes that will suffer the organization using this system of administration, are important elements for the completion of the implementation... Due to strong changes that implementation of the ERP system brings in the culture of work, there may be poorly trained or disinterested in making use of the same staff... The benefits of having an ERP system are not presented immediately with the implementation of the software, they will be evident long after the system is running. The culmination of the implementation depends on the ability and skill of the workforce, which also involves education and training, to make the system is correctly applied.

After Mongolia’s democratic evolution of 1990, private businesses become successful and rose up dramatically. Following the growth of the massive private business sector, businesses have become more competitive. To become more competitive, more successful in the business area, organizations using IT which makes its’ work more efficiently. In the last 20 years, ERP is being used in many

organizations both successfully and unsuccessfully. Many organizations tried to develop ERP systems by themselves, but unfortunately, most of them failed. That’s why, lately, organizations tend to hire vendors to employ ERP. Of course, obviously, hire vendors to apply ERP is more suitable by comparing previous experiences.

**Research and framework**

“ESU LLC” established in 1997 and has been successfully engaged in real estate sector and one of the leading construction companies in Mongolia, has been taking various initiatives, by means of housing projects, to contribute to the development of the capital city to become a place with safe and sound surroundings and reliable infrastructure that are up to international standards.

At first, we analyzed ESU LLC business processes. We used TOGAF to determine the current organization process also we used Business Process Modelling Notation (BPMN) to analyze. We analyzed every unit of organization in its’ business process. Thus, we divided 9 department work processes into 3 scopes.

1. General work process
2. Sub work process
3. Everyday

**Work process analysis**

No	Units	Scope 1	Scope 2	Scope 3
1	Financial department	7	33	150
2	Sales and marketing department	4	8	79
3	Supply department	4	10	40
	Purchasing Warehouse			
4	Planning department	2	10	6
5	Law department	3	7	48
6	Human resource department	0	0	0
7	Architecture department	20	88	85
8	Safety department	2	27	0
9	Engineering department	4	15	45

After work process analysis, we also worked on determining each problem that occurred in every department.

**Analysis into 6 functions:**

- Decision making: in this function, the lowest coordinated departments are the engineering department, architecture department. And the most coordinated department is the financial department.
- Planning in this function the lowest coordinated departments are architecture department, law department, safety department. And most coordinated departments are the financial department and marketing department.
- Controlling in this function uncoordinated departments are the architecture department, supplement department. And the most coordinated department is the law department.
- Organizing in this function most coordinated departments are the financial department, the marketing department, and the supplement. Other departments are equally coordinated in this function.
- Leading in this function uncoordinated departments are the architecture department, the engineering department, the supplement department. And the most coordinated departments are the planning department and the marketing department.

**All processes of employing ERP system**

“ESU LLC” chose “Veritech Mongolia” to start ERP project.]

Work terms	
NCD Group	Supplied all information of employing ERP during its’ project
Veritech Mongolia	Done processes; <i>analyse, research, project management, complete project, business process, requirement of system</i>

“Veritech Mongolia” determined their project management strategy by following order to finish project successfully.

1. Project planning
  2. Designing
  3. System entry
  4. Data testing
  5. Starting system
- Feedback

### Conclusion

In a changing world, society requires us to think wisely and work without mistakes. As competition becomes more heavily, organizations try to increase productivity, quality and reduce cost. The most suitable option for those requirements is to employ any software to facilitate the work process and substitute workforce. In the business environment, time is also one of the most considerable things.

'Veritech Mongolia' and "ESU LLC" agreed on a contract which was employing ERP system starts in September to finish in December of 2019, the total amount of 30,000\$ and yearly license payment is its' 15%. The project is ongoing successfully.

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