

# **The impact of enterprise resource planning implementation on management control system and firm performance**

**T.W.A.M Yasakelum and T.K.G. Sameera**

*Department of Accountancy and Finance, Faculty of Management Studies,  
Rajarata University of Sri Lanka, Mihintale Corresponding author:  
mkelum343@gmail.com*

## **Abstract**

Organizations often seek to protect their market share with strong competition in the business world and use information technology to compete against such high competition. In that case, the Enterprise Resource Planning system (ERP) plays a vital role in any organization. Therefore, it is important to implement an ERP system to gain competitive advantages. The aim of this study is, therefore, to identify the impact of the implementation of the ERP on the Management Control Systems (MCSs) and firm performance. In particular, the analysis explores the role of formal and informal MCSs in the implementation of the ERP. The population of the study was all ERP implemented public listed and private companies in Sri Lanka. 40 ERP implemented companies were selected as the sample of the study using a simple random sampling technique. A questionnaire was used to collect data from financial managers, accountants, and information system/information technology managers working in companies currently using ERPS. Collected data were analyzed using descriptive, correlation and regression analysis. The study found that there is a positive and significant relationship between ERP implementation and financial and non-financial performance. Furthermore, it revealed that formal MCSs mediate the positive impact of ERP implementation on financial and non-financial performance and no such mediating impact was found with informal MCSs. The findings of this study will help software vendors to improve the ERP program that addresses improvements and demands in their organizations. In addition, the organization can develop strategies to maximize the benefits of implementing the ERP by focusing more on formal MCSs. In particular, the findings of the study will help organizations to identify the impact of MCSs on ERP adoption and firm performance.

**Keywords:** *Enterprise Resource Planning System (ERPS), firm performance, formal management control system, informal management control system*