

**The Reaction of Financial Analysts to
Enterprise Resource Planning (ERP) Implementation Plans**

James E. Hunton
Associate Professor
University of South Florida
Tampa, Florida

Ruth Ann McEwen
Professor
Suffolk University
Boston, Massachusetts

Benson Wier
Associate Professor
Virginia Commonwealth University
Richmond, Virginia

Please do not quote or cite without prior permission from the first author

Please address all correspondence to:

Dr. James E. Hunton
School of Accountancy
College of Business Administration
University of South Florida
4202 East Fowler Avenue, BSN 3403
Tampa, Florida 33620-5500
813-974-6523 (Voice)
813-974-6529 (Fax)
jhunton@coba.usf.edu

The Reaction of Financial Analysts to Enterprise Resource Planning (ERP) Implementation Plans

This study investigates the extent to which investors believe that enterprise resource planning (ERP) systems enhance firm value by examining changes in financial analysts' earnings predictions before and after they receive an announcement that a firm plans to implement an ERP system. A total of 63 analysts participated in a two (firm size: small and large) by two (firm health: unhealthy and healthy) randomized between-subjects design. The ERP announcement represented a within-subjects manipulation. The analysts' overall reaction to ERP implementation plans was positive, as mean post-announcement earnings forecasts were significantly higher than mean pre-announcement forecasts. Additionally, as expected, mean earnings forecast revisions in the small/healthy and large/unhealthy firm conditions were significantly greater than mean forecast revisions in the small/unhealthy firm condition.

Experimental results from the current study support archival findings reported by Hayes et al. (2001), who explored the same research questions, among others, by examining cumulative abnormal returns surrounding ERP announcements. Triangulation studies of this nature using multi-methods (e.g., behavioral versus archival) and complementary criterion variables (e.g., earnings forecasts versus cumulative abnormal returns) are important to social scientists, as they provide insight into the reliability, consistency and validity (both internal and ecological) of proposed theoretical relationships (Boyd et al. 1993; Flick 1992; Libby et al. 2001).

Key words: Enterprise Resource Planning, ERP, Investors, Financial Analysts, and Triangulation.

Data Availability: Data will be made available upon written request and justification.