

**E**nterprise Resource Planning (ERP) systems have transformed the way companies manage their people, processes and information. ERP objective is to integrate all departments and functions across a company into a single computer system that can serve all different departments' particular needs. That integrated approach can have a tremendous payback if companies implement the software correctly.

However, majority of SMEs treat spending for ERP software as a cost centre rather than as a strategic investment for improving individual and organizational efficiencies.

Careful up front planning is critical, long before implementation begins and even before purchase decisions are made. After all, ERP can be a very risky undertaking and a total cost of ownership (TCO) analysis can help mitigate that risk.

The TCO of ERP include hardware, software, professional services and staff training costs. In addition, the TCO numbers include after go-live maintenance and support cost which is when the real costs of maintaining, upgrading and optimizing the system for your business are felt. The goal of TCO is to support wise decisions about all costs in the beginning of an ERP project, and then to anticipate and manage those costs during its life cycle.

The license fee alone is a poor indicator of the cost of implementing enterprise-wide solutions. In some cases, it can be as little as 10% of the total cost of implementation or for open source ERP software it is absolutely free.

Customization of the ERP software is only the beginning of the integration costs of ERP. This happens when the ERP software can't handle some of your business processes and you decide to tweak the software to make it do what you want. The customizations can affect every module of the ERP system because they are all so tightly linked together.

# IMPLEMENTING ERP SOFTWARE, COST AND CHALLENGES.

By Mike Ghasemi



Implementation challenges have four main factors:

## 1 Business process knowledge

**(Domain):** Every ERP project requires some level of customization due to type of industry and different business process. As business domain changes, ERP consultant should learn characteristics and difficulties of new domain. Familiarity of domain is very important in ERP project success, as there is a gap between IT and business professionals. Therefore, there is a need for consultants or group of people in an organization who understand both the information technology and business processes.

## 2 Project (Implementation):

Implementation process is a very critical phase of ERP projects. Timelines and milestones should be followed very carefully. Which modules will be used at first and second phase of project? Which approach is suitable for implementation, big-bang or parallel? How the project tasks should be distributed to consultants?

**3 People:** ERP consulting team and company's key users are the main factor to make the project successful. In addition, their harmony and team work is important too. Some key users resistance to learn ERP system or unrealistic requests for certain features may jeopardize the faith of the ERP project. Senior management level support is another important aspect that is valid in any kind of project. It is accepted wisdom that ERP project success depends on staffing the

project with the best and brightest from the business and consulting company.

**4 ERP Software:** ERP package features are one of the key factors that affect the project. Some missing features may stand as a single-point of failure. ERP package must bring minimum customization for projects (Vanilla approach). When systems are implemented in a 'vanilla' form using the best-of-class business processes or so called best practices, which are included as standard in ERP project, implementation can be quick and cheap. When software developers are brought in to develop specific business processes, costs can escalate to ten or twenty times the license fee.

As information technology changes fast, it gets more difficult to support in-house applications while keeping skilled personnel. Today, it is much easier to find an ERP package that meets almost 80% of business process requirements. Every company has some unique requirements but these requirements can be solved in ERP platform. Before ERP projects, most of company says "we are unique." This statement is not true in most cases as they have not experienced or used an ERP software before. **SME**

**T**he only way to become an adult is to first be a child. Your business, in many ways, is the same.

Maybe it was just you or you and a few partners, but now your business is growing, congratulations! But don't pat yourself on the back too fast. With growth also come challenges.

As children grow, expenses rise, school uniforms get too tight and sneakers start to scrunch toes. Parents, (and I've got first hand experience with this), must invest in clothing to fit their growing children.

Like growing children who need new clothes, new toys, and have new interests, the business needs and technology solutions of a five-person manufacturing company are different than the needs of a 75 person one. The business insight necessary to manage a three-employee retail store, is different than that needed for a 100 employees one.

As your business grows, you will find that you are starting to use a variety of software solutions for various business processes such as accounting, payroll, inventory, point-of-sale, and sales.

Maybe you started out by purchasing an accounting software to handle the basic financial aspects of your business such as check printing, bank account management, invoices, financial reports, etc. You probably installed some software to keep track of your customer records and you may have yet another program that your sales force uses to manage their sales processes.

What you now have are disparate pieces of software, or "point solutions" holding related, but completely disconnected silos of information. Silos are great for farms, as they keep grain in separate, easily manageable compartments. For businesses, however, silos of information are a waste of time and resources, leading to inefficiencies that will eventually hinder growth.

Without a doubt ERP has proven to be a valuable tool that integrates and streamlines all business functions across sales, marketing, customers, financials and operations, all in a single system so your business operates like a seamless one providing significant cost savings and productivity improvements. Although ERP has very much been exclusively for large organisations it has recently had a

# CHOOSING AN ERP SOLUTION FOR YOUR GROWING BUSINESS

By Mike Ghasemi



resurgence, with smaller organisations looking to its benefits to leverage similar efficiency gains. With the growth of the SME market in Asia the demand for such systems is enjoying a return to popularity.

Unlike buying a new software program or adding on a new piece of hardware, the decision to implement an ERP triggers change across the enterprise, including how a company is managed, how its internal divisions interact and how it responds to the marketplace. ERP solutions require a considerable investment in both capital and time.

You may well be asking at this point if ERP could be good for your organisation and what benefits it could bring. When considering if you need a "point solution" or ERP solution, consider what is most important to you and what is your core business. If the main focus of your business is inventory management and this is what makes or breaks your business, then you should consider comparing a best-of-breed inventory management system to an ERP solution. However, if your main need is to integrate your business processes and have one solution to manage all areas of your business including accounting, inventory, point-of-sale, e-commerce, purchasing, payroll, returns, sales, and marketing, then an ERP solution may be the best choice for you. In addition, you should

ask the following questions when you are wondering what is best for your business;

- Are you finding yourself duplicating data across more than one program, costing you time and sacrificing data accuracy?
- Is your competition able to provide a superior level of customer service and functionality and quickly move to meet market changes, and you can't?
- Do you have three or four different point solutions, and find that they are integrated via custom programming, or not at all?
- Is your staff frustrated in learning four different business programs?
- Are five different software vendors blaming each other when problems arise?
- Are you spending too much time running your day-to-day business and computer systems, and not enough time growing and expanding your business?

If you answered "yes" to any of these questions, it's time to consider an integrated, ERP solution for your business.

ERP removes the need for standalone financial software, sales system, project management software, customer management software, HR systems and customer databases. It replaces them with a single unified software program divided into distinct but integrated modules that emulate the functions of these standalone systems. **SME**