



**Business
Transformation
Solutions**

ERP SYSTEMS SELECTION FOR SME'S

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Introduction

What Is an ERP Software System?

ERP or Enterprise Resource Planning software has its roots in manufacturing. Its predecessor was known as MRP (Manufacturing Resource Planning), a production planning, scheduling, and inventory control system used to manage manufacturing processes.

ERP systems now cover almost all the core aspects and activities of a business - from manufacturing and distribution, to billing, finance management, customer relationship management to human resource considerations. These systems are usually modular in nature, allowing businesses to add features and customize functionalities on an “as needed” basis. However, all the sensitive information is stored in one secure database or repository and thus can be accessed by employees as and when required, based on security and access controls appropriate to role holders.

In short, an ERP is the critically important system which is responsible for maintaining an accurate record of all the transactional and operational activities taking place within the organization, so that Key Performance Indicators (KPIs) and trends can be identified to understand and control business performance with a focus on developing competitive advantage.

Why should an SME adopt an ERP System?

An ERP system will facilitate

- Standardisation of all business processes (financial, customer relationship management, order management, manufacturing, distribution etc.) on a robust software platform
- Real time data availability to all in the business e.g. order status, inventory, financials etc.
- Automated metrics generation which allows a focus on business performance analysis and decision making
- Accelerated business growth as key systems and processes will be in place, with options for modular additions to ERP system e.g. HR processes
- Management and control of all key business data in a secure way
- Protection of business data by backing up on a regular basis

Key Pitfalls in migrating to use of an ERP System?

Failure to plan appropriately can often derail the implementation of and obtaining the desired return on investment of an ERP system. If not managed well it can also have a negative impact on the business.

Businesses can often underestimate

- Planning required pre Go-Live to ensure the desired result. A good and realistic project plan
- Resources required to deliver the project plan before implementation
- The need to win the hearts and minds of staff and colleagues/ Enrol key influencers early
- There will be some short term pain involved to deliver the benefits to the business

Major Functions of an ERP System

An ERP system is a software solution that is immensely popular. It has been adopted by a very large number of sectors and industries. Keeping in mind unique requirements, vendors have jumped in offering versions and iterations of their tools to satisfy niche businesses. This is especially true for the retail sector. However, an ERP is synonymous with a list of time-tested functions which can be successfully leveraged to boost productivity, standardise systems and processes, streamline tedious administrative tasks, reduce mistakes, release staff to more value adding activities and maintain all round control and work-flow discipline. The list given below showcases the “legacy” features most ERP systems need to have in place.

Business Area	Features
Accounting & Transactions	<p>ERP features for this business area should include the ability to track and document transactions, balance the electronic ledgers and automatically calculate remuneration of employees on payroll and disburse them on time.</p> <p><i>Microsoft Dynamics pays special attention to Accounting & Transactions.</i></p>
Customer Relationship Management	<p>Though CRM is a solution in its own right, more and more ERPs are including basic customer relationship enhancement features like sales force automation, database cleansing and rudimentary marketing automation. Advanced features like lead scoring though are still in the future for an average ERP system.</p> <p><i>Oracle pays special attention to Customer Relationship Management.</i></p>
Inventory Management	<p>Maintaining the right level of stock is a challenge for most businesses which involve manufacturing and distribution of tangible products. ERP systems consider inventory management and optimization as a core activity. Features depend largely upon the industry in question and current market trends, can include distribution requirements planning (DRP) and vendor managed inventory (VMI)</p>
Manufacturing	<p>Big names like Sage and Infor are famous for their manufacturing inclined ERP features. Some basic provisions a business can't do without are Manufacturing Execution System (MES), Product Lifecycle Management and safe keeping of Bill of Materials (BOM). Materials management based on Just in Time (JIT) manufacturing also features in many ERP systems.</p>
Business Intelligence	<p>Business Intelligence or BI is crunching big data from the heart of an organization to generate business performance metrics (KPI's) as well as isolate trends, insights and patterns which can be used to gain competitive advantage in the market or improve operational efficiency. ERP systems pitch in with features like data mining, data analysis, data mapping, benchmarking and reporting.</p> <p><i>SAP pays close attention to Business Intelligence (BI)</i></p>

10-Step Vendor Selection Process

The following is a simple, 10-step ERP selection process which can be tailored to fit any industry, sector or niche.

It covers all the considerations one must keep in mind while purchasing a solution like an ERP platform, which will keep paying towards itself for the next decade or more. It's recommended that the management as well as employees be involved in the decision making process. Too often the IT is the only department shouldering the responsibility even though it doesn't make much use of the ERP.

Research ERP Market	Understand basic ERP functions Choose between cloud and on premise options
Prioritise Business Requirements	Identify Problems to solve List out ideal capabilities required
Make the case to Management	Pitch them the inefficiencies Promote ERP benefits
Build a shortlist of Vendors	Determine the systems that serve your industry, satisfy high level requirements and fit your budget, giving priority to a close requirements match
Educate Shortlisted Vendors	Let the vendors know exactly what end results you are pushing to realize and your other potential candidates
Evaluate Live Demos	Let vendors know the features you wish to see, invite the right people to evaluate the demo and score each vendor who demonstrates products.
Score Vendors Cumulatively	Score the shortlisted vendors, eliminating those who do not fit. Score them on the basis of function fit, budget fit and ease of use.
Gather & Compare Price Quotes	Take care to provide vendors with all relevant information, ensure that the quotes are complete including miscellaneous expenses.
Review Software License Agreement	Ask front runners for at least three viable references you can contact. Ensure that you discuss highs as well as lows (disadvantages) with these references.
Verify References	Ask for industry standard discounts and ensure that you can purchase licenses for full as well as part time employees

ERP Vendors

Building a successful ERP system is not a small feat. It must have robust infrastructure, versatility and have strong recovery options. It supports and regulates the work-flow of the entire organization. In some cases, it must also be open to customization.

Despite the tall order, there are dozens of Tier 1 and Tier 2 ERP companies claiming large to miniscule fractions of the total market.

Why Research Vendors?

It is almost our second nature now to Google and research a topic before proceeding to act in any way. Even though most prospective buyers do a fair bit of digging around before drawing up a list of potential vendors, these compelling statistics present a watertight case in favour of significant research before vendor selection. Top 10 ERP Vendors | Compare Business Products © 2014

Businesses (and entities) which fall in the realm of uninformed buyers:

- Have 24% less activities standardized through their ERP system (and this is one of the primary functions an ERP executes)
- Are 31% less likely to proclaim that the ERP solution purchased is in alignment with business needs and long term vision
- See 2% less reduction in operational costs than their informed counterparts
- End up spending a whopping 45% more on ERP implementation due to project scope creep

ERP Trends

- Market and Vendor Consolidation
- Mobile ERP and Bring your own device culture
- Widespread Adoption of Cloud Based ERP
- Social Media Integration
- More Educated and Demanding Customers

Conclusion

Given the nature of ERP systems, choosing the vendor is a business critical decision. Significant time, thought and research should be spent on making this decision. It is imperative that the business needs be considered, even ahead of the budget which is a purely fiscal constraint. If an ERP solution is not capable of being adopted almost organically by the majority of the company, it can cost a company dearly in botched deployment and delays.

An ERP platform capable of covering most of the basic requirements of the business coupled with a user friendly interface is the right answer.

Introducing a modular based ERP system overtime is often the best solutions for smaller companies, as they can prioritise their needs and spread the investment over time. It also facilitates staff to familiarise themselves with each new element of the ERP rather than trying to cope with a big bang solution.

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