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Newsletter

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Newsletter Vol. 52 - Introduction

Softengine News is dedicated to keeping you up to date with the latest information regarding SAP Business One systems, Softengine solutions and Best Business Practices.

What's New?

Spotlight on ERP: A Renaissance for ERP and Why It Matters

When an Enterprise Resource Planning (ERP) system is done right, it can operate much like an orchestra; all instruments played in tandem, nothing in discord. The data and processes that reside and flow through procurement, manufacturing, service, sales, finance and human resources are integrated and streamlined. ERP, when its functionalities are fully maximized, can be transformative and eye-opening.

And while ERP has long been considered the sole domain of large enterprises, midsize companies are increasingly taking advantage of the benefits of ERP. According to a recent Aberdeen Group report, "A Guide for a Successful ERP Strategy in the Midmarket: Selection, Services, and Integration," 84 percent of midsize companies have already implemented ERP into their business. Faced with the growing impact of globalization, midsize companies understand they need to leverage technology to compete and grow.

For large organizations, ERP has a well-documented history of being notoriously expensive and difficult to implement. And even for smaller companies, ERP system implementations can be complicated projects, involving multiple aspects of an organization's data, business processes and people working together. The good news for businesses however is there have been massive improvements in how ERP is designed and implemented, thereby reducing the time and cost commitment involved.

A New Chapter in ERP

How ERP is developed and deployed has come a long way over the years. In fact, ERP may be in the midst of a new and important chapter. Midsize companies in particular are finding that today's ERP solutions involve shorter engagements and less risk.

Cloud-computing, for example, has opened up ERP to many companies that may have previously viewed the software as too expensive and labor intensive to install and manage. And while some claim that cloud may be overhyped, the benefits are undeniable. Accessing ERP via a cloud platform lowers total cost of ownership, which can be a critical feature for midsize companies with limited IT resources. According to Nick Castellina, Research Analyst, Enterprise Applications at Aberdeen Group, "Cloud solutions are generally implemented more quickly than on-premise solutions. Additionally, with a cloud ERP solution you don't need the internal IT support that you normally would with a traditional

on-premise model." "We are seeing more companies implement ERP in bite size chunks rather than the traditional big bang implementation..."

Castellina predicts an increase in the number of midsize companies that are interested in accessing ERP via the cloud. According to Aberdeen Group's research, says Castellina, "we're seeing a year over year increase in the number of people that would be willing to consider a cloud solution and a year over year decrease in the number of organizations that would be willing to consider traditional on-premise."

Beyond cloud, continuous technological improvements have resulted in the availability of affordable, pre-packaged ERP solutions – a deliberate response to the lengthy deployments and high price tag of ERP implementations of yore. Companies today can take advantage of preconfigured, templated ERP solutions that are built based on industry-specific best practices and country-specific requirements.

Murray Mitchell, Global Leader, General Business, Global Business Services at IBM cites prebuilt ERP solutions that are customized for companies operating within different countries and across different industries. "When our clients adopt as much of the preconfigured capability as possible as appropriate for their business, they can significantly reduce project time and related cost of the project," explains Mitchell. So for example if you're a food and beverage company, we have a solution already preconfigured for your specific business process requirements."

In addition, according to Mitchell, for midsize companies that are resource constrained, risk averse and cost conscious, they can now engage in a more modular approach to ERP that was previously unavailable to them. "We are seeing more companies implement ERP in bite size chunks rather than the traditional big bang implementation," says Mitchell. This provides the opportunity for shorter projects timeline and less organizational upheaval."

More than Technology

While fancy cloud platforms and prebuilt, preconfigured solutions may rightfully be driving renewed interest in ERP, the cultural change required in implementing a new technology should not be overlooked. Technology is only half the story. As Mitchell explains, "Some companies look at ERP implementations as just a technology change when in fact it really is an opportunity to transform their business and associated processes within their company. Implementations that are focused on some of the softer elements, like how employees will embrace the changes riven by improved business processes, tend to realize the system's full potential much better than those that view it as just a change in technology."

So how many companies are realizing the full benefits that their current ERP system has to offer? Not enough, according to Mitchell who still see employees using spreadsheets to feed data into their company's ERP system. For these companies, old habits die hard. Employees are too often resistant to new processes, preferring to rely on old, familiar, and sometimes manual tools rather than embracing the full functionalities that come with ERP systems.

These roadblocks to success are even further solidified when companies fail to insist that their employees engage in new tools. According to Castellina, "A lot of my research has found that you have to commit to employee training on an ongoing basis to keep them in the loop on how to get the most out of ERP."

And sponsorship at the company's highest levels is another factor that can make or break an ERP implementation. Mitchell explains, "We believe that if the C-suite is very visible to their employees by actively promoting and remaining involved in the implementation, that's very critical to success."

The Backbone of Business

In many ways ERP can serve as the backbone of a company. Without a clear understanding of the back office operations and its impact on the front office, companies will be unable to compete, never mind thrive, in this global economy. The integration of ERP solutions with business analytics, for example, will be critical for companies that want to make more insightful and forward looking decisions on a real-time basis.

On a smarter planet where data is being put through advanced analytics to discover new and meaningful patterns to improve customer service, automate financial processes and uncover fraud, companies will need to fully utilize and maximize their current ERP functionalities and be prepared to extend their ERP foundation to new heights. According to Mitchell, "As opposed to just looking at the transactional aspect of the data in an ERP system, companies will have the ability to take the data captured in an ERP system and turn it into a much more visible and interactive set of predictive capabilities to make more rapid, informed and confident decisions."

For some midsize companies, using cutting edge analytics to make sense of massive volumes of data may seem far off. But an effective ERP solution can serve as the first step for companies that ultimately want to fully exploit all sources of data and content for insight. And if ERP serves as the backbone for these advanced capabilities, then companies better be sure that they get it right.

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