

ERP systems – an unnecessary evil?

Introduction

Finding the correct tool for the job at hand has always been a matter of controversy. The margin of fit for the current work and future may differ vastly; therefore planning and aligning your institution or company is of the utmost importance, keeping your budget in mind at all times.

What is ERP?

ERP is an acronym for Enterprise Resource Planning. ERP software applications help businesses to manage and connect information from all core areas of the organisation with the aim of increasing effective decision-making. ERP software solutions promote visibility throughout the entire organisation, allowing decision-makers to improve business operations such as inventory management, accounting, order management, human resources, the supply chain, product lifecycle and customer relationship management (CRM). ERP software should serve as the focal point for managing all-important aspects of a business (as defined by CompuData). In the case of the University of the Free State, this will also encompass student administration.

Advantages of ERP Systems

Training and Education

In all ERP systems, initial training is provided with the installation when done by a preferred vendor or implementation partner of the ERP system supplier. Thereafter internal training is of the utmost importance; this may require another package to produce training material relevant to the business process, and/or a dedicated training department.

Selective Adoption of Modules

In newer releases of ERP systems, new functionality and bug fixes are released in smaller maintenance packs. This accelerates the testing and implementation of the required bug fixes.

Planned IT Infrastructure

The vendor normally provides the minimum infrastructure requirements; suggestions for implementable options can also be obtained. In some cases the technology for implementation is also manufactured, tested, supplied and supported by the ERP supplier.

Renovations and Innovations

All upgrades and new releases cater for innovations and bug fixes. However, upgrades are always for the cost of the licensee.

Group Support

Because they all own the same product, ERP users around the world find a way to exchange experience and knowledge, leading to the formation of user groups. The power of sharing and the need for enhancements to the ERP gain momentum through the structure of these groups.

BI Reporting

The BI and management reports are normally less complicated because the structure is well defined, documented and shared across platforms, and the ERP vendors can often recommend the best integrated BI solutions.

Look and Feel

The look and feel of an ERP system is consistent across systems. In-house development tends to change the look and feel as management and developers make changes.

Meeting Multiple Challenges

Merging companies and institutions can be more easily attained. Multiple companies and institutions and different locations can be managed by means of the same software.

Automated Processing

Automation of major processes within the ERP system can lead to the reduction of labour.

Disadvantages of ERP Systems

Knowledge Base of Business

Implementation of a newly acquired ERP system feeds off the knowledge base of the system to be replaced. The use of in-house knowledge must therefore be investigated and documented beforehand.

Fit Gap Analysis

Gaps will always exist; identifying the gaps and planning to bridge them is therefore of the utmost importance. Failing to take this into account can be fatal to any implementation.

Statutory Compliance

Examples of important statutory requirements are taxes, reporting to local and central government by higher education institutions, labour laws and VAT regulations. Failing to make provision for these requirements can lead to major customisations and escalating implementation costs.

Resistance to Change

Experience has shown that the greatest failure in any implementation arises from resistance to change, i.e. resistance to the adoption of new software, integration, and new releases/upgrades.

Maintenance Cost

Support and licensing is always based on a given currency, at a predetermined exchange rate, for a particular period. This could be the single highest cost of an ERP system.

Local Vendor Support and Geographic Location

Not all countries or regions have access to a local vendor for support or knowledge sharing, which could lead to additional and unforeseen costs.

Data Integrity

Data Integrity can be compromised due to the decentralisation of multiple access to the same setup structures from different locations and by different users.

Complications with Upgrades

Integration between systems and misalignment of newer functionality are but a few of the complications that could be experienced.

Conclusion

It is commonly assumed that the ERP team sits in total isolation and can be treated as an island. ERP systems are not a total solution to all user requirements, as this is a fit-for-purpose tool.

The classification of ERP systems will therefore depend on the weights added to the pros and cons; only then can a decision be taken.