

Ridge Technologies Limited.

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# ERP Software and Your Business

*Choosing and Implementing the ERP Software  
Solution that Provides the Most Benefit to Your  
Company*

White Paper



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## 1. Introduction

As your business grows, the increasing number of employees, clients, products, services, and functions increases the complexity of organizing the data associated with each of these entities. One way to streamline system processes and data control is with the implementation of Enterprise Resource Planning (ERP) software. ERP solutions are designed to integrate all of the data and processes within your company into a single system. A single system allows for data from one process to be used by a second process, with a single database tying the systems together.

Businesses without a central ERP system spend a lot of time performing redundant tasks, re-entering data, and reconciling duplicate data. Data entered into one system may appear different in another system. These additional tasks result in increased labour and personnel frustration. An ERP system eliminates vertical data “silos” in your organization, breaking down the virtual walls between departments. One database contains all company data, and all departments pull data from the same database.

While the end results of a streamlined system include increased productivity and data availability, the prospect of selecting and integrating an ERP software solution into your business can be daunting. It is certainly a major undertaking to uproot

many of your entrenched systems and train personnel to use the new system, but understanding how the ERP software system will improve your business processes and creating a strategic implementation plan will keep the end benefits in your mind and smooth the integration of the ERP software into your business.

## 2. Selecting an ERP Solution

The first step in the implementation process is to select the ERP software solution that is most appropriate for your business. This requires you to determine what your goals are as a business and what you want an ERP system to do to help you achieve those goals. You need to look at the people who will be actually using the software, including which department functions will be included in the integration and how to include your personnel in the decision process. You need to determine what you want the ERP software to do for your business and to list the functions that are required for your business. Finally, you'll need to research different ERP software vendors, since each package has pros and cons that may or may not be right for your company's needs.

### 2.1. Determining Your Goals

When researching potential ERP packages, you need to have a clear understanding of what your goals are as a business, and what you want out of an ERP software system. You need to ask yourself specific questions to determine what the precise needs of your business are. Some of these questions may include:

- ***What process and productivity goals are you trying to achieve through the new ERP system?*** One of the primary reasons for implementing an ERP system is to improve productivity across the company by streamlining how different departments are connected and how they use each other's data. Knowing the specific goals for your business will make it easier for you to select the right vendor and software package to meet your goals.
- ***Which departments will be most affected and should have the most say in the decision?*** Some companies that integrate ERP software into their business only focus on specific departments within their business, such as accounting and payroll. Others want a system-wide package that will impact all departments. Knowing which departments will be affected will allow you to build a planning and implementation team with representatives from all of the affected departments.
- ***How will you determine success? What are the success metrics? Within what timeframe should it be implemented?*** It will be impossible to achieve success if you do not know what success means to your business. Knowing the metrics that you want to monitor will allow you to manage the implementation process to ensure that success is met.

Your business goals are the direct driver behind selecting an ERP software solution. If a certain system will not help you directly achieve your goals, then any investment in that system is wasted money.

On the other hand, you may discover through this goal evaluation process that an ERP solution is not the right solution for your company at this time. An ERP software system is a significant investment in time and resources, and committing to this sort of investment for the sole reason that other businesses like yours are

making this investment is not a logical conclusion. Your goal at this point may be to find the right ERP solution for your business, but it is important to keep an open mind. You should not invest in such a wide-reaching system if your business could be better served through process improvements or a redesign of your organizational structure.

Before you embark on the ERP planning process, it is useful to perform a process study on the existing functions within your business. This evaluation will act as a baseline from which you can evaluate potential improvements during the ERP planning process and actual improvements after the ERP system integration.

## **2.2. Design Process & End User Requirements**

After putting your goals down on paper, the next step is to create a detailed sketch of the individual requirements, and the departments that drive those requirements. Depending on your business, your affected departments could include:

- Distribution
- Process design and development
- Quality
- Product design and development
- Production
- Inventory control
- Procurement
- Industrial facilities management
- Human resources
- Finance
- Information services
- Marketing and sales
- Field service

This is a good point in the process to create an ERP integration team. An ERP integration team will allow you to get input and feedback from all of the affected parties on your development plan, system sourcing, and eventually assist with the system installation and training. Your ERP integration team should consist of key personnel from each affected department and IT personnel who will be involved in the actual installation.

Your ERP integration team's first task should be to develop a list of key requirements for their specific department, and prioritize those requirements. Since it may be difficult to meet every single "wish list" item, it is important to determine which items are absolutely necessary, and which items would be nice to have, but aren't critical.

Keep in mind the scope of the planning and implementation process when creating your team. Depending on the size of your business, some of your employees may have to be dedicated full time during the installation and configuration process.

## **2.3. The Regulatory Environment**

Many businesses have to adhere to specific regulations as part of their business practices, such as the Sarbanes-Oxley Act in the United States that established specific standards for publically-traded companies in areas such as accounting and

corporate responsibility. When selecting an ERP system for departments that are governed by specific regulations, the ERP software you choose must mesh with those regulations. Requirements related to these regulations must be noted in your requirements list when you start to examine potential ERP system vendors.

Integrating an ERP system into your business is a long-term commitment. In addition to current regulations, you should note if there are any proposed or pending regulations that may affect how your company operates months or years down the road. When choosing an ERP system vendor, one trait to examine is how quickly the vendor released “compliant” components after the last major changes in legislation, or to speak to reference clients of theirs to get their views on this.

## 2.4. Features and Functions

Once each of your affected departments has developed a comprehensive list of the features and functions required in an ERP software system and examined relevant regulatory requirements, it's time to prioritize the requirements. Review the goals that you had set for your ERP implementation and determine which requirements will help to reach those goals.

When reviewing the requirements lists, differentiate between:

- **Essential** – Requirements that you absolutely must include
- **Useful** – Requirements that help streamline functions, but are not directly essential
- **Desirable** – Requirements that are not directly essential, but may be requested by one or two departments.

When you have a clear list of the features and functions that you are looking for in an ERP software system, you are ready to begin looking at potential vendors.

## 2.5. Evaluating the Vendor Landscape

With your requirements list in hand, you can now begin to research potential products that meet your requirements and vendors that can help your business achieve its goals. But where do you start?

A good starting point for evaluating potential ERP system vendors is not the vendors themselves, but independent research organizations who have examined the marketplace and have unbiased opinions on different vendors. Forrester Research and Gartner Research are two examples of independent market research firms who provide insight and advice to companies on a variety of technology and business topics.

With your requirements list in hand, review the data on as many different vendors as you can. Take note of potential matches as you go, and you will end up with a “short list” of vendors that at first glance meet the needs of your business. Once you have developed a short list of vendors, now is the time for more in depth examination of each vendor. Some potential questions to be answered include:

- What is their experience in your industry?
- What local support do they provide?

- How well funded are they?
- How long have they been in existence?
- What future developments do they have planned for the system?

While your company could theoretically mix and match modules from different vendors to create an “ideal” solution for your specific business needs, this concept provides additional headaches in terms of multiple phone numbers and contacts for support and sales, and non-compatibility between modules of differing vendors. Having one vendor supply a complete solution eliminates these problems, giving you a single point of contact and a seamless application across your business. It also avoids the problem of “blamestorming” amongst multiple vendors when a problem does occur.

As with any large investment, you should have several potential vendors and software platforms on your short list, rather than placing your faith in one or two packages. Investing up front in quality background research will ensure that you find the right vendor, the right software, and the right system configuration for your specific business, industry, and requirements.

### **3. Integrating the ERP Solution into Your Business**

Once you have developed a short list of vendors of products that appear to meet the needs of your business, it's time to review the fundamentals of the integration process. The right vendor will be able to integrate an ERP software system into any critical systems that already exist in your business. The right ERP software package should be easily configurable to meet the needs of your industry. The right vendor will provide training and support to your personnel to bring them up to speed quickly. Finally, potential vendors will have a good understanding of potential snags in the integration process and procedures in place on how to deal with these situations.

#### **3.1. Integration with Existing Systems**

Unless you are planning to implement a system completely from scratch, it is likely that any ERP system you choose will have to integrate with existing systems and data. Which of your existing systems are so critical that they cannot be replaced? The new system must easily integrate with these. An important question to ask potential vendors is if they have integrated their system with your specific systems before.

Another important item to consider is whether you would like your ERP software system to be hosted in-house, or hosted remotely. Remote hosting eliminates the upfront costs of potentially expensive server hardware, and overhead costs of IT personnel to maintain the servers. However, the vendor will charge an additional hosting cost, likely on a monthly basis. If you are considering the option of remote hosting your ERP system, take the time to create cost/benefit analyses for both scenarios to determine which option is best for your business.

If your business has multiple domestic or international locations, the challenges of implementation are compounded. Your planning must include travel between locations for coordinated release for both vendor personnel and your own personnel, variations in corporate culture over differing locations or countries, and language

barriers for training and corporate communications about your ERP integration process.

### **3.2. Configuration**

There is no one-size-fits-all ERP software package, so implementing a system relies heavily on installing specific modules and configuring software and systems to meet the specific needs of your business. When reviewing potential ERP systems, ask how complex the ERP software is to configure to your company's particular needs. Is the software highly customisable or does it tightly fit an industry standard approach?

Another consideration is the integration of additional modules and functions after the initial installation in response to changes or expansions in your business. Can configurations be adjusted by in-house IT personnel, or does the vendor require their personnel to manage and update the ERP software?

Your business may have some processes that are already extremely efficient, or provide some sort of competitive advantage to your business. The configuration process should allow for successful processes to be directly transferred into the new system, retaining their benefits while linking them to the central database.

### **3.3. Training and Support**

One of the most important considerations when choosing an ERP software package and an associated vendor is how the vendor will help your personnel use the system to its greatest potential. Employees who do not feel educated about how a new system work will be less productive than if they have received training in the new system and are confident in the ability of the system to improve their work functions.

Ask potential vendors about their training process. Is the training done at a site outside of your company, or within your offices? Is the training customized for different departments and different levels of access?

After implementation and training, support is the other method by which your company will interact with the ERP system vendor. Some vendors will provide built in service contracts with the initial purchase, while others will have service contracts that are paid for separately, and can vary in scope and price. Some vendors will have free online knowledge base support, but charge for live service calls. It is important that you have a good understanding of how a potential vendor can support your company after the sale prior to committing to a specific purchase.

Training programs also need to be supported by a strong change management policy within your organization. Your personnel want to see your strong commitment to the ERP implementation, and you need to provide the vision and support to your employees to show that you are willing to help them negotiate the upcoming changes.

### **3.4. Difficulties Encountered in Implementing ERP**

Selecting and implementing an ERP software system into your business is a major undertaking, and will significantly impact business operations during the integration

process. The ERP system vendor that you select should anticipate many of the issues that can come up during the integration process and have procedures in place to address these issues. Some of these issues may include:

- **Business Interruption** – Because an ERP system affects many departments within your business, interruption in the flow of day-to-day tasks is inevitable. An ERP system vendor will provide a specific integration schedule and process designed to minimize the interruption to everyday business.
- **Staff Retraining** – Some personnel may be resistant to change and having to learn a new system. Also, training will need to be scheduled so that existing business activities can continue with minimal interruptions. Potential vendors should have experience with integrating systems into functioning businesses, and their implementation plan should include a training schedule that allows business to continue.
- **Complex Data Migration** – One of the benefits of an ERP system is that it pulls data from many different systems together into one central database. In order to create this central database, existing data may have to be pulled from a variety of existing systems and formats. A vendor should have an understanding of your existing systems and a plan for migrating all of your data to the new system, converting data formats if required.
- **Data Loss** – With all of the data being transferred from a variety of existing systems to a new ERP system, data has the chance to be misplaced or lost in the transfer. An ERP provider should have a specific plan for data transfer that will minimize the chances of data being lost, including backing up data to an independent server.

Your ERP implementation plan should include contingency plans for these scenarios so that you are fully prepared in the event that the integration process does not go as smoothly as you would like it to.

## 4. Using Your ERP Solution

An ERP software system is a significant investment for your company to make, so it needs to be done right the first time. The system that you choose needs to help you meet your goals in the timeframe that you specify and should be relevant and useful for many years after initial installation.

Keep in mind that your potential vendors may try to “close the sale” with you quickly. Do not feel pressured by vendors to make a decision unless you are confident that you have enough information to make the right decision about which vendor and software package is right for your business.

### 4.1. Time Scale to ROI

Many businesses are hesitant to invest in a complete ERP package because of the large up-front investment in time and money that is required to get the package installed and running. Rewards can be difficult to visualize, especially in the short-term. ERP software systems are meant to provide improvements to efficiency in your company, but it can be difficult to see past the initial cost, especially in larger businesses where it could take years to fully install and integrate an ERP software system. It can take several more years for all of the benefits to be truly realized.

Calculating your return on investment, or ROI, is based on comparing the costs of implementation to the benefits that you will receive by the integration of an ERP software package into your business structure. While the direct costs of the software itself, installation, training, and support can generally be quantified by the vendor, there are other indirect costs that will be generated within your business, such as reduced productivity during the integration process and training sessions. There will be a learning curve as your personnel acquaint themselves with the functions of the software and retool their processes.

The benefits are more difficult to quantify, and require continuous monitoring to measure incremental improvements and relative increases. Now is the time to return to the success metrics that you created at the beginning of the planning process. Some metrics that can be measured include:

- Increased number of revenue opportunities
- Increased operating efficiency
- Eliminate expenses from redundant systems

There are several tools available to help you calculate your ROI from ERP integration, including guides by Microsoft Dynamics. Monitoring your metrics over time will ensure that you are getting the most out of your ERP system.

#### 4.2. Future-Proofing

An ERP software system will be a part of your company for many years. The package that you choose must be flexible enough to adapt to the changes that your business could encounter in the future, such as expansion, mergers, and new product lines. Before purchasing an ERP system, you should have an understanding of how your business could change, and how the potential system can respond to these changes. Some questions may include:

- ***What new technologies and platforms are likely to become important for your industry?*** Is your potential vendor up to speed with the needs of your specific industry? Will the vendor share some of their "roadmap" with you to help you understand where their software is developing?
- ***How "visionary" is the vendor?*** Is the vendor that you are considering planning out future needs for their customers and designing updates accordingly?
- ***How influential is the vendor on the software industry as a whole?*** Does the vendor provide innovative updates to the ERP market, or do they simply respond to the improvements of their competitors?
- ***How does the vendor respond to changes and updates?*** What other companies are using this specific product? Get feedback from your vendor's existing customers on company responsiveness to support issues, and how they react to bad situations.

Before committing to an ERP vendor and software package, be sure that you have a clear understanding of how the vendor will support your business after the installation and continue to improve the performance of the ERP software over time.

### **4.3. Continuous Improvement**

Keep in mind that the job is not over when your ERP system goes live. Your post-implementation plan should include provisions for on-going training to help your employees get the most out of your ERP investment. There will inevitably be gaps in training content and schedules, and training has to continue after release, especially for new hires who enter your company after implementation has begun and do not have knowledge of what was done before.

After the dust has settled, you also have the chance to re-evaluate your business processes and determine if they can be optimized even further. ERP software systems will certainly improve productivity, but once those efficiencies have been realized, it's up to you to examine your processes and see what can be streamlined. Process optimization should be an ongoing activity in your business.

## **5. Summary**

The installation and integration of an ERP software system is a significant decision on the part of a company, and a significant commitment of time, personnel, and funding. Choosing the right ERP system for your business can be simplified if you have a good understanding of your requirements, research available ERP software packages, and perform due diligence, asking potential vendors the right questions.

In a nutshell, your preparation for selecting an ERP software system should include:

- Clarifying your business goals
- Creating an ERP implementation team
- Determining your system requirements
- Examining the vendor landscape and create a short list
- Performing due diligence of potential vendors and software options and performance
- Creating a detailed implementation plan to include training, integration, analysis of success metrics, and post-implementation support.
- Planning for post-implementation hurdles such as short-term productivity loss while your team negotiates the system learning curve

After your preparation is complete, you should have extensive knowledge of the ERP market and be ready to move forward and select a vendor to implement the right ERP solution for your business.

## **About Ridge Technologies**

Ridge Technologies is an Enterprise Software consulting firm. We consult and advise on the design, implementation and integration of a range of software solutions including ERP, CRM, SCM, Business Intelligence, Financial Software, Document Management Software and Procurement Management Software.

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