Implementation of ERP system

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Value based objectives or ERP implementation

- What are customers expecting from ERP system?

- How to validate the objectives?

- What is their structure?

- How are they organized?

Fundamental objectives

- Minimize costs
- Ensure ERP benefits realization
- Enhance product and service improvement
- Maximize customer relationship effectiveness
- Based on study made by May, Dhillon and Caldeira

Minimizing costs

- One of the main objectives
- Structure of the main costs
  - Start-up
  - Implementation
  - Maintenance
- Cost must be compared with the expected reduction of other costs of the company (return of investment)

Ensure ERP benefits realization

- Depending of key areas
  - Knowledgeable and proactive organization
  - Proper change management control
  - Minimization of adaptation constraints
  - Clarity of investment objectives
  - Delivery of responsibility to individuals in the organization
- ERP benefits depending on the level of customer and provider co-creation of the final value

Enhance product and service improvement

- Key factors
    - Support of new product development
    - Any system that may be considered for adoption will support growth of existing product lines
    - ERP system enables the identification of new product opportunities
- To ensure key factors ERP supplier needs to know and analyse customer´s business

Maximize customer relationship effectiveness

- Key factors
  - Support of the customer oriented processes
  - Ability to understand customer desires
  - Efficient marketing channel design
- Critical for service organizations
- Supplier needs to know the structure of customer segments, the ways of communication the customers are use to.

Mean objectives

- Providing the way how the fundamental objectives can be reached

- Important is also the sequence how the objectives are reached

- Focus to objectives development is the key factor in value creation process

- Creating environment inside and outside the organization
- Agreement among functional divisions
- Working relationships of external consultants and project...
  - system processes:
    - ERP system processes fit organizational requirements
    - ERP system processes fit existing business processes
  - Business processes:
    - Administrative processes

- organ...
- Organ...
- Comp...
- Co...
- Or...

ERP system does not break or alter
- existing business processes
-
  - Comformity to any proffesional standards
  - ERP system can handle the data analysis
    - Real time information for given users are up-to date a...

- Info...
  area...
- Infor...
  plac...
- Relia...
  ensu...

- Qu...
- Ec...

- Information will be available for appropriate users
- Minimizing data redundancy
- Maximizing data integrity
- Unauthorized access to business critical data is minimized

dispers...

➡ Maximize system use

➡ Maximize information security

Mean and fundamental objectives
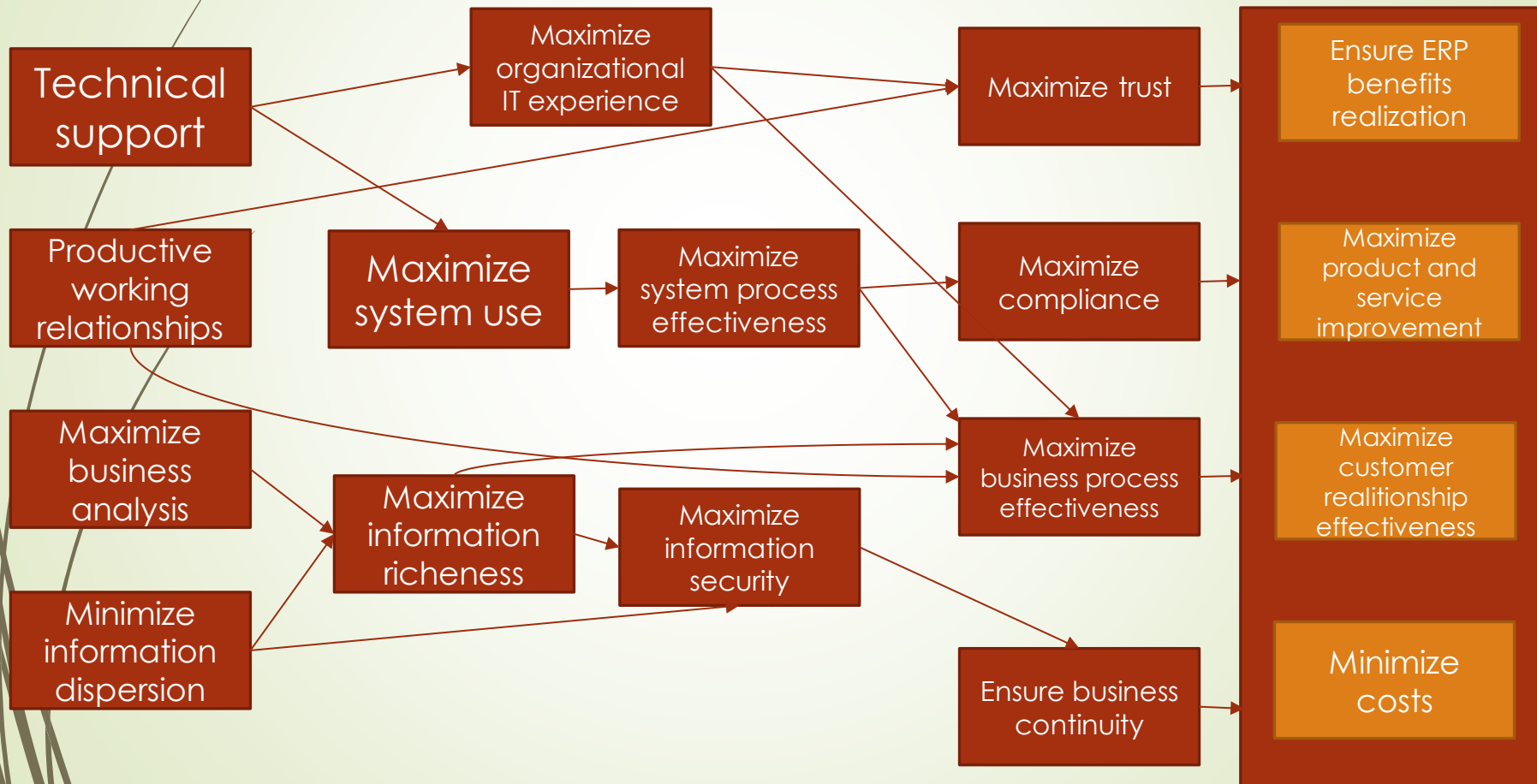
Important for cost calculation

- Commercial software
  - Licence
  - Customization can be limited
    - Only certified partner
  - Usually made on Microsoft platform
- Open source software
  - No fees for the licence
  - Customization can be done by anyone
    - Problem of partner finding
  - Made on Java, Python, php etc.

How manage the project

- How long time will it take?

- Who should participate?

- What do you expect from ERP system?

- How can management prepare themselves to this process?

- Risks of the project of ERP implementation

Choosing Consultants and Vendors

- One person cannot fully understand a single ERP system

- Before choosing a software vendor, most companies:

  - Study their needs

  - Hire an external team of software consultants to help choose the right software vendor(s) and the best approach to implementing ERP

The Significance and Benefits of ERP Software and Systems

- More efficient business processes that cost less than those in unintegrated systems

- Easier global integration

- Integrates people and data while eliminating the need to update and repair many separate computer systems

- Allows management to manage operations, not just monitor them

- Can dramatically reduce costs and improve operational efficiency

Questions About ERP

- How much does an ERP system cost?

- Should every business buy an ERP package?

- Is ERP software inflexible?

- What return can a company expect from its ERP investment?

- How long does it take to see a return on an ERP investment?

- Why do some companies have more success with ERP than others?

How Much Does an ERP System Cost?

- Size of the ERP software
  - Corresponds to the size of the company it serves
- Need for new hardware that is capable of running complex ERP software
- Consultants' and analysts' fees
- Time for implementation
  - Causes disruption of business
- Training
  - Costs both time and money

How to manage the project

- Project can take from 3 months (small companies) to more than year

- All departments involved to the work with ERP system should participate

  - Not only IT Department!!

- First we must analyse company, its situation and than we look for suitable ERP system

- The best solution is to make SWOT and develop strategies

What Return Can a Company Expect from Its ERP Investment?

- ERP eliminates redundant efforts and duplicated data; can generate savings in operations expense

- ERP system can help produce goods and services more quickly

- Company that doesn't implement an ERP system might be forced out of business by competitors that have an ERP system

- Smoothly running ERP system can save a company's personnel, suppliers, distributors, and customers much frustration

What Return Can a Company Expect from Its ERP Investment?

- Cost savings and increased revenues occur over many years
  - Difficult to put an exact dollar figure to the amount accrued from the original ERP investment
- ERP implementations take time
  - Other business factors may be affecting the company's costs and profitability
  - Difficult to isolate the impact of the ERP system alone
- ERP systems provide real-time data
  - Improve external customer communications

How Long Does It Take to See a Return on an ERP Investment?

- **Return on investment (ROI)**: assessment of an investment project's value

  - Calculated by dividing the value of the project's benefits by the project's cost

- ERP system's ROI can be difficult to calculate

- Peerstone Research study

  - 63 percent of companies that performed the calculation reported a positive ROI for ERP

  - Most companies felt that nonfinancial goals were the reason behind their ERP installations

Why Do Some Companies Have More Success with ERP Than Others?

- Usually, a bumpy rollout and low ROI are caused by *people* problems and misguided expectations, not computer malfunctions

  - Executives blindly hoping that new software will cure fundamental business problems that are not curable by any software

  - Executives and IT managers not taking enough time for a proper analysis during planning and implementation phase

  - Executives and IT managers skimping on employee education and training

Why Do Some Companies Have More Success with ERP Than Others?

- Usually, a bumpy rollout and low ROI are caused by *people* problems and misguided expectations, not computer malfunctions (cont'd.)
  - Companies not placing ownership or accountability for the implementation project on the personnel who will operate the system
  - Unless a large project such as an ERP installation is promoted from the top down, it is doomed to fail
  - ERP implementation brings a tremendous amount of change for users

Why Do Some Companies Have More Success with ERP Than Others? (cont'd.)

- For many users, it takes years before they can take advantage of many of an ERP system's capabilities

- Most ERP installations do generate returns

Conclusion

- Critical situation of ERP need
- Value of ERP for the customer
- Special position of accounting
- Basic of ERP development (customer side)