How to Start an ERP Project, Part I

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This is the first in a two-part series on how to launch a successful Enterprise Planning Resource (ERP) project. For more information on ERP in plain English, check out our Knowledge Centre.

Enterprise Resource Planning (ERP) products and services are the cash cows of the IT industry. The sector consists of businesses whose decades of handsome license fees have made them hugely valuable. And then there are the legion of consultants charging recurring—and often exorbitant—fees to customise and implement these products.

We're talking billions in revenue from a vast number of projects. Despite the fact that most projects fail to meet their objectives—many even fail to finish. And a substantial minority end up in litigation, with more experts, advisors, and (obviously) lawyers mining their own rich seam of fees.

Of course, not everyone is out to get you. There are plenty of ERP packages well worth the money, just as there are plenty of helpful, reasonably priced consultants. We're only saying this to underscore the importance of caution when launching an ERP project.

But what exactly is ERP?

Consider all the core processes you need to run your company: manufacturing, supply chain, services, procurement, inventory, finance, HR, and others. The most basic function of ERP is to integrate all these processes into a single system. The result is that all these separate parts of your business have access to the same information in real-time.

The best-known products are Oracle, including PeopleSoft, NetSuite and JD Edwards; SAP (the full product and its confusingly named versions), Sage, Microsoft Dynamics and NAV, IFS, Epicor, Access.

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> ❝ ERP projects are difficult. But they can take a mid-sized business to an entirely new level when done right. ❞

Initially these products were targeted at the manufacturing sector. But now they aim to cater to every kind of business in every kind of sector. Which means that the list is endless. For example, in professional services, ERPs are often called Practice Management Systems. In the legal sector, ERP is a well-developed market, providing a single platform for critical functions like billing, client management, accounting, time records and documents.

How do you know when you need an ERP project?

At Freeman Clarke, we've lost count of the occasions when we've been approached by CEOs to help them with ERP projects. Sometimes they're starting from scratch. Or first they need help extracting themselves from the wreckage of the previous project. Either way, the indicators are the same:

- Your business is full of people rekeying from one system to another
- Your data don't match across departments
- You can't make sound decisions because you don't have easy access to reports
- You can't get data to enact new marketing ideas
- You can't plan new digital initiatives
- It's extremely difficult to achieve legislative and security compliance

If one or more of the above describes your business, then you need help launching—or re-launching—an ERP project.

One thing you may want to look at closely is if workarounds have become normalised. We frequently see that complicated and inefficient practices have slowly taken hold in mid-market companies. Are a small number of individuals the key to an operation? Is coping with workarounds, rather than fixing them, their entire job?

The issues can stem from leadership positions as well. Disconnected leaders create disconnected departments. The cause of the disconnection may be conflicting personalities and/or internal competition. But the result is often that simple businesses become complicated over time.

Getting to the bottom of these issues is time-consuming and (let's be honest) not very interesting—they're often a mess of personality problems, inefficient processes, and outdated technology. Often the only people who really understand the problems are immersed in them, and they rarely have the authority or resources to make any changes. And very few people will suggest ways to eliminate their own jobs!

What can ERP do for your business?

ERP promises the holy grail of integration—efficiently merging or unifying formerly disparate systems and processes. Real integration brings transformational benefits:

ERP can streamline and simplify your business, reducing cost and improving morale. An ERP project is an opportunity to create a lean, simplified business by fixing and reorganising systems and processes. This will save you money. And, by reducing the errors and friction that can arise between personnel and departments, it will raise morale.

Consider the potential benefits of reducing the reliance on workarounds. We've often seen experienced personnel stuck dealing with manual workarounds to broken processes—such as finance teams spending hours in Excel to create monthly reports. But when reporting is automated, these individuals are suddenly free to use their knowledge to help the business grow and thrive.

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ERP products help improve integration with both customers and suppliers. Of course, pricing is an issue for customers. But rarely is it the only criterion! In the B2C scenario, for instance, service and a flexible return policy are often far more important to consumers than price. In B2B, if you can plug your business more directly into your customer's—removing their admin headaches, fitting your processes to their needs—then you can create a long-term, secure relationship that is less dependent on price.

In short, ERP creates a kind of intimacy between you and your customers that leads to a serious competitive advantage.

ERP creates a solid platform for innovative digital initiatives and marketing. Both kinds of innovation are necessary for growth. And both kinds of innovation rely on the availability of good data and your ability to integrate new technology. Thus, your business needs a simple, modern technical platform that (a) provides clean, accurate, and up-to-date data and (b) can be easily integrated with other products using APIs or middleware.

Put simply, your front-end is as good as your back-end.

ERP liberates decision-makers via better internal reporting. We see many businesses where the basic limitation on their growth is that executives are deeply involved in operational issues all day, every day. There is simply no time to pursue to new initiatives and, even if there were, they do not have the energy or information they need to make them happen.

In these situations, the right dashboards allow higher-ups to delegate authority within defined limits. Executives are then freed up to see the bigger picture. They can monitor the performance of their managers, but they can focus more their time on direction.

This is not just hype—these are genuine opportunities. ERP projects are difficult, but they can take a mid-sized business to an entirely new level when done right.

A note on ERP products

Since ERP is all about integration, you may be tempted to purchase a single ERP product. Of course, this is an inherently simpler solution than multiple products from multiple vendors, requiring a complex integration project.

But a single ERP may not be as integrated as it seems. Some vendors have assembled their ERP solutions by slapping a single-brand sticker on multiple acquired products. So, while they all have the same logo, they're not really fully integrated. The cracks and gaps may only become visible when you really get into the details, and by then it may be too late.

And as we mentioned, ERP products differ by sector. Some vendors may not be experts in particular industries, and often just offer generic solutions that won't cut it in a competitive market.

So, an alternative strategy is to assemble "best-of-breed" products, which offer the most compelling features and benefits. If you're willing to go through the work and risk of integrating products yourself, this is a viable way to gain an advantage over more timid companies who simply take an off-the-shelf ERP.

In our experience, the best compromise is normally a hybrid solution: one or more best-of-breed products for specific functions, and a more generic ERP product for the rest of your processes.

For example, a company with complex multi-currency treasury requirements might need a specific finance system. A highly automated warehouse might need a system designed to integrate and support robotic devices. The same product ERP won't work in both cases. But some processes will work quite well with a more generic ERP product.

Where does Freeman Clarke fit in with all this?

Our people are experts in all aspects of ERP products, providers, and projects. What's unusual about us, though, is that we are entirely unbiased—we have no commercial connections to any supplier or product. And we join your team so we're on your side of the table. We simply use our skills, knowledge, and experience to make our clients as successful as possible.

Freeman Clarke is the largest and most experienced team of IT leaders, recruiting the highest- calibre CTOs. We provide them to our clients on a part-time basis to lead their digital and software initiatives in order to drive their business growth. If this sounds intriguing to you, get in touch for a low-pressure chat about ERP, or any other aspect of IT and your business.

Email
contact@freemanclarke.com

Locations
United States, United Kingdom and Singapore

Phone
0203 020 1864

FREEMAN CLARKE