Filling the Gaps in Your ERP Solution

By Martin Levesque, director of professional services, iDatix Corporation

Enterprise resource planning software has become an essential foundation for manufacturers. Despite technological changes and market shifts, the need for an ERP to control data and standardize processes remains a constant.

A recent report found that 74% of manufactures have implemented an ERP system. Of those that do not currently have a system, 54% have plans to implement an ERP.

ERP systems excel at handling heavy transactional processes. A CIO Magazine survey asked manufacturing organizations "*Which areas of your business ERP work best?*" The overwhelming majority cited the financial side of the house (70%). Next were procurement, order processing, supplier management (42%), inventory management (33%), and HR management (26%).

These survey results put a spotlight on the sentiment of most manufacturers; their **ERP system is simply not capable of effectively managing their entire operation**. This has caused obvious gaps in the functionality of ERP, and organizations have been left wanting and needing more.

The gaps most often exist in:

- **Procurement**
- **Production**
- **Fulfillment**
- **Human Resources**
- **Customer Management**
- And even to an extent in **Accounting**. The most robust ERP system still cannot integrate and communicate with your Accounting software, leaving holes that should not be there.

Manufacturers can't –or won't-fill these gaps for a variety of reasons. Most notably are:

Cost

The primary reason that manufacturers don't invest in a new system or upgrade their existing is cost.

Whether deciding between an upgrade to the existing ERP or scraping the system and starting over with another vendor, the majority of companies simply **can't justify additional investments in a technology with questionable returns**.

> As noted in a CIO article, "Of course, traditional ERP applications can change. But it'll cost you. In customizations. In change and process management. In upgrades. A typical company… will spend an average of $1.2 million each year to maintain, modify and update its ERP system."

The cost to abandon an existing ERP solution and start over is even more daunting. The total cost for Tier 1 ERP installations:

- SAP reaches nearly $17 million
- Oracle at $12.6 million
- Microsoft at $2.6 million

With costs reaching into the millions, it is no wonder manufacturers struggle to find a viable solution.

Fear

The manufacturing industry is a traditionally conservative market, and rightly so.

It's hard to imagine a large scale manufacturer taking a chance with all of their critical business data in an unproven system. If the company has never used any other ERP software then spending millions of dollars on a system that still may not solve the problems is simply not an option.

Without a guarantee that they will get what they need out of it, **manufacturers fear the worst case scenario**. And there are never any guarantees.

This has caused most organization to shy away from switching, despite persistent unhappiness with their current ERP.

Time

If an organization can overcome their fear and justify the cost of switching, there is still the issue of time. Time spent upgrading, customizing or implementing a new system will drastically impede operations.

The average time to implement an ERP system is 23 months, according to a TechRepublic article.

But considering that research has found that **67% of implementations take longer than expected** it is reasonable to assume it will end up requiring more time…and money.

Disruption

The overall disruption to the organization is another barrier to switching ERP systems. Getting buy in, change management and system integrations –now for the second time- interfere with the business in a way that most organizations can't or won't do again.

Pall Corporation reported a "self-inflicted disruption" of their supply, resulting in weaker than expected results, after switching to a new ERP system.

Even more alarming is the data coming from an IDC survey on the negative impact of business disruptions due to ERP modifications. The report states that the **cost of these disruptions** "is simply too

high: a 20.9% decline in stock price, a 14.3% revenue loss due to delayed product launches, and a 16.6% decline in customer satisfaction."

The report was summarized with the following:

- Change to ERP systems can create high-impact business disruptions
- These business disruptions can cause double-digit business declines
- If businesses had more agile ERP systems, many of the disruptions and subsequent declines could be avoided

The Solution

The savviest of manufacturing organizations have found an alternative: a solution that eliminates the gaps for a fraction of the cost and time, and no disruption to business.

Analysts at Forrester and Gartner have long been touting the benefits of an ERP and BPM/ECM/Case Management integration.

The "ERP Process Woes Continue, But BPM Suites And Dynamic Case Management Can Help" report by Craig Le Clair of Forrester found that significant gains can be realized by bolting on a BPM/DCM/ECM solution to your existing ERP.

According to Le Clair, integrating with another solution could allow a company to "postpone a multimillion-dollar purchase and avoid significant organizational disruption."

A financial services organization stated that "BPM solution layer on top of the new ERP upgrade delivered the greatest value of the entire process initiative — despite the fact that it cost a lot less."

The report goes on to outline other advantages including getting greater value out of your existing ERP, eliminating the gaps without the need for a new ERP infrastructure and allowing you to maintain the security and comfort of your existing system while still improving operations and reducing problems.

For more information and to see it in action, visit our manufacturing page.

About the Author

Martin has more than 10 years of experience with business process improvement and information management. His primary focus is developing automated business process solutions that take advantage of current ECM and business process optimization technologies and techniques.