

Enterprise Resource Planning (ERP)

Enterprise Resources Planning (ERP) is the name given to assorted software programs designed to support the planning and control of most operations in an organization. ERP systems evolved from versions of material and manufacturing resource planning software, which are included as an integral part of the ERP system. Today most organizations use an ERP system to help manage their resources. Unfortunately, the implementation of ERP software is fraught with difficulty. According to consultant Booz Allen and Hamilton only 10 percent of ERP projects are completed on time and within budget. This suggests the vast majority of ERP projects are failures.

One of the basic problems with ERP software is that it is complicated, and very few people understand the complete system. ERP software vendors program their software to suit every conceivable type of business, but this one-size-fits-all approach makes ERP systems complex. While such versatility and complexity are good for selling software to top management and easier for a software company to support, this increases the burden of implementation for middle management as they try to make ERP work in their own particular business situation. The problem is aggravated when senior management isn't involved in the implementation process.

The correct implementation of ERP imposes strict disciplines in many businesses, and some organizations have difficulty overturning bad business habits.

An ERP system is designed to be a single source of truth in the organization, forcing everyone to use the same set of numbers to make decisions. In general, businesses tend to be organized around traditional functions such as sales, production, accounting, engineering, etc., but successful ERP implementation requires a cross-functional approach.

Some companies think that ERP implementation is simply a systems project, but successful ERP implementation demands complete data integrity, not simply copying bad data from an old system to a new one.

There are three basic elements for success in any business enterprise: a customer-focused quality organization, a knowledgeable workforce, and the necessary systems to support the business. Most organizations fail to do a good job of incorporating all three of these basic elements in their ERP implementation. ERP is not just a software system that you simply buy; it is a system that must be built from within the organization. It is not wise to assume that switching from a legacy business system to an ERP system is a project that can be handled solely by system specialists. Since ERP is a very powerful system it is imperative that the people who are going to use it on a daily basis have the requisite education, training, and support necessary to operate it successfully. Unfortunately, many companies

spend so much money on their ERP systems, that they do not spend enough time or money preparing their people with the necessary education and training. This is one of the fundamental reasons why most ERP implementations fail to realize the expected benefits.

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