

Myths and Truths of ERP

How to make your ERP selection and implementation a success



Introduction

As manufacturers seek to eliminate process inefficiencies and maximize profitability, they are adopting automation and turning to digital technologies such as an Enterprise Resource Planning (ERP) system that provides them cross departmental visibility and control of their operations.

While adopting an ERP is a great place to start as it seamlessly integrates business operations from accounting, manufacturing, CRM to HR, there are various misconceptions that exist about ERP systems that prevent organizations from realizing their many benefits.

And, while they had lofty plans to begin with, many [manufacturing](#) or distribution companies that have implemented ERP systems seem to be under-using theirs. How is it possible that these implementations did not deliver full value?

First, let's recap what an ERP system is all about.

What is ERP?

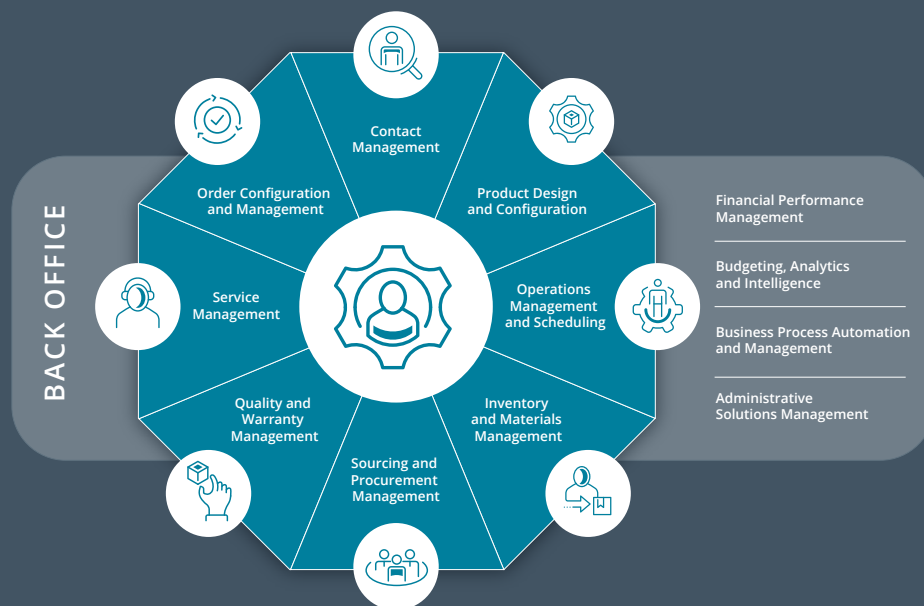
Enterprise resource planning (ERP) software is a tool that organizations use to manage their business, from the shop floor to the top floor. Business data from accounting, procurement, project management, regulation, compliance, production, and supply chain operations are collected to provide business leaders the information they need to make insightful decisions about their operations.

A full ERP suite also includes performance management tools that help with planning, budgeting, predictions and improving performance.

Think of an ERP as a program that compiles all your business data and manages your business needs through a central hub.

ERP System Overview

An ERP system offers the following comprehensive software solutions to facilitate the management of core and back-office business processes in manufacturing and distribution industries.



12 Common Myths About ERP Implementations

Experience has shown that many companies misunderstand what is required for a successful outcome, starting right from the ERP selection and continuing through to the implementation itself. Let's have a look at some common myths.

1 MYTH My company is too small for an ERP

TRUTH

A few years ago, it was true that ERP systems were too expensive and complex for small companies. But in recent years the barrier to entry has been significantly lowered due to developments such as:

Cloud

You no longer need to invest in expensive hardware, network infrastructure and IT expertise.

SaaS (Software as a Service)

Previously, purchasing an ERP required a large lump sum capital spend. Now, with subscription models, you can pay monthly, turning a capital expense into an operational expense.

Modular design and integrations

Instead of having to buy the entire ERP system, you can often buy just the modules or components you need. In addition, integrations to external systems are much simpler, cheaper, and more flexible than in the past, allowing you to purchase separate, smaller "best of breed" systems and integrate them.

Hidden cost of status quo

Another thing SMBs need to consider is the hidden costs of the status quo. A small company may think an ERP system is expensive, but how much time and money are you wasting due to manual processes, double entry of data, too much or not enough inventory, expenditure, and delayed order to cash cycles? And to top it off, business leaders struggle to make critical business decisions due to lack of timely and accurate information.

The barrier to entry has been significantly lowered due to Cloud, SaaS, modular design and integrations, and when you factor in the hidden cost of status quo.

2 MYTH Price is the most important criteria

TRUTH

A [study by Deloitte](#) showed that for first-time buyers of an ERP, price was the most important factor. But second time buyers had learned an important lesson: the level of relationship and support with the vendor became most important. You are not just buying a piece of software. You are buying a critical business system that will underpin your entire business for years or decades as it grows and changes. Your ERP vendor will be your trusted business advisor in this “marriage” and a strong and supportive relationship is far more important than the price.

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3 MYTH An ERP needs to be implemented all at once

TRUTH

An ERP can be implemented in stages to ensure that you can comfortably and efficiently use all the tools and processes. Critical modules should be introduced first where you would most benefit, such as for financial data, etc. These Phase 1 wins will motivate everyone for the next phases, when other segments of your business can implement the ERP. “Eat the elephant one bite at a time” to ensure success and avoid indigestion.

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4 MYTH An ERP should fit your existing processes

TRUTH

There are two points to note here. First, don't automate bad processes. Just because you've “always done it that way” doesn't mean you should continue doing it that way. Use this opportunity to conduct a full review of your business processes—and be open to change. The importance of this review cannot be underestimated. Many companies skip this step and wonder why they end up with an ERP that seems to simply replicate what they were doing in the past. The second thing to note is that not every tiny or infrequent process needs to be modeled in the software. Sometimes it's more hassle than it's worth, and it's perfectly fine to do some of these little tasks outside the ERP.

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5 MYTH ERP projects are owned by IT departments

TRUTH

ERP projects must actually be owned by the C-suite. Without top-down support and sponsorship, ERP projects are likely to under-deliver. Although the IT department has a strong role in selection, implementation, and management, they often do not have the top-level authority to drive adoption and change management. They might also not have deep expertise in the functional requirements of the other departments (operations, sales, finance, etc.) to select the most suitable ERP.

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6 MYTH We will go live in a few months

TRUTH

Businesses usually underestimate how long it takes to implement an ERP. They don't realize the significant time commitment required by their employees who already have a full-time day job, and the complexity of their processes.

It's useful to think about how many "[degrees of change](#)" you are making when implementing ERP: systems, business processes, and people/roles. For example, changing just the system is one degree of change; changing the system and business processes is two degrees; and so on. More degrees of change mean a more complex—and therefore longer—implementation.

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7 MYTH An ERP will eliminate departmental silos

TRUTH

Some organizations feel that adopting an ERP can eliminate departmental silos as it makes data more visible and shared across the organization. But if your company culture is such that some departments historically don't communicate well, an ERP can't magically fix that. Implementing an ERP is an opportunity for you to review business processes across departments and educate your teams on how their actions affect others. For example, the Operations team relies on the forecast from the Sales team to plan production. If Sales decide to change the forecast in the ERP at the last minute without discussing it with the planner, they cannot assume that they will get the product on time as there are lead times involved. No system can replace the conversations that teams must have with one another to eliminate these departmental silos. When people start seeing interconnectedness between their actions, the business stands to benefit.

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8 MYTH An ERP automatically delivers benefits

TRUTH

How will you know if your ERP has helped your business, if you don't measure specific KPIs? Have you both documented the strategic goals about why you need an ERP and broken those down into specific metrics? For example, do you want to lower your inventory by 20%? Are you looking to increase the fill rate of sales orders by 15%? Defining goals and measuring them regularly ensures better outcomes.

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9 MYTH Training is expensive

TRUTH

"If you think training is expensive, try ignorance"—Peter Drucker, a leading business management consultant. One of the biggest reasons for failed or underused ERP implementations is that the training budget was insufficient, leaving users to fumble through the shiny new system and not get full value from it. Also, training must continue in the future despite staff turnover. Otherwise, "application erosion" occurs, where the value gained from the ERP degrades over time as the original employees move on. Apart from turnover, your business will grow and change over time and if you don't get training on how to reconfigure the ERP to fit your evolving business, this also leads to application erosion.

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—Peter Drucker, a leading business management consultant.

10 **MYTH** Everyone will buy in to the benefits of ERP

TRUTH

Business leaders may believe that everyone is just as enthusiastic about an ERP system as they are. But changing the software is the easy part. Changing human behaviour is the hard part. Organizations may face challenges in getting employees to buy into using the ERP. For this reason, it is critical for organizations to recognize and support their “champions”—people who “get” the business vision and support the change. You already know who they are. They are the ones who will rally others and help drive the change. Whether those champions are in Finance, Sales, or IT—identify them and celebrate their ERP usage and wins.

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11 **MYTH** ERPs aren't user-friendly

TRUTH

Historically, ERPs were slow, clunky, and difficult to navigate. The training required was very time-consuming and arduous. But modern technologies have enabled user-friendly interfaces that have made ERP adoption a lot simpler. Today many ERPs are browser-based so you can access them from anywhere. There are also easy to use mobile apps, similar to consumer apps and social media. AI-powered chat bots can provide answers to your business questions within seconds. This familiarity and ease of use will help in increasing user adoption.

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12 **MYTH** It's hard to get insight from ERP data

TRUTH

Years ago, ERP systems were good at capturing data but weak at presenting it in useful ways to make business decisions. This has vastly improved with the advent of business intelligence tools and AI. Powerful and flexible analytics are either built into the system or integrated to best of breed systems without having to invest in customizations to get the insights you need. Business intelligence powered by AI provides much deeper insights such as predictions, forecasts and anomaly detection. For example, systems can predict if an order might be late before it actually occurs or alert you when your best customer starts returning more products or logging more complaints than usual. This means that you can resolve the situation proactively instead of losing the customer.

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Summary

Buying an ERP system can be one of the most significant investments your company will ever make. It's a critical business system that will support your business for many years to come so you want to make absolutely sure you have a successful implementation.

Underperforming ERP implementations can often be traced back to one or more of the myths described above.

Did you notice that almost none of the "truths" focused on the software's shiny features? Nowadays, there are many good ERP systems. A successful implementation doesn't depend solely on the features. It depends far more heavily on the other factors described above.

If you are considering an ERP, hopefully this whitepaper has given you some insights on common myths to avoid, and truths to ensure success.

If you would like further guidance, [talk to our team of experts at SYSPRO](#).

About SYSPRO

SYSPRO is a leading global Enterprise Resource Planning (ERP) software company providing industry-built enterprise solutions and specialized services designed to make things possible for customers in key industries within manufacturing and distribution.

Through SYSPRO ERP software, customers gain access to solutions, processes, and tools to assist in the management of data for key business insights and informed decision making. SYSPRO ERP is scalable and can be deployed in the cloud, on-premise, or both, and accessed via the web on any device. As trusted advisors, SYSPRO remains committed to the success of partners and customers by leveraging emerging technology that will enable them to secure a digital future.





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