Cost of implementation and management case study sample

Business, Company

Cost of implementation and management

As seen from the China case study, Implementation of ERP is faced with major challenges which often lead to exceeding the allocated budget, missing the intended deadline and failure to deliver according to the expectations. The cost incurred in implementing ERP systems include the cost incurred in acquiring and receiving services from an ERP system provider, purchase of the ERP software, training of personnel, consulting fees and testing. If these costs are not put into proper consideration before implementation then the chances of failure also increase. For instance failure of the ERP at the Furniture co resulted from an unplanned high maintenance fee which the company could not sustain.

The first step to be taken by any company is to set and comprehend fully the functions requirements definition. This needs to be done at the planning phase. It is important to understand such requirements for they act as a baseline and a point of reference when identifying an ERP system provider. Full potential of the ERP system will only be achieved if the system is backed up by a set of documented requirements stipulating any cost that will be and might be incurred in future (Monk & Wagner 2009).

Another important factor is the cost of management. ERP can fail as seen with the case of Chinese industries due to a misleading calculation of time input, effort and unrealistic expectations of profit or return on investment. Cost of management of ERP should be looked at in terms of planning cost, training, data conversion and end user comprehension criteria. Most Chinese ERP failed due to lack of proper considerations on the management cost for most companies lacked the top management support. For instance, as seen

with the case of Pharmaco, the management were not very supportive of the ERP system hence chaos and demise. The major problem to cost management is resistance to change especially due to lack of top management commitment. In summary, the management should not neglect the cost of managing an ERP if success of the system is to be achieved (Vipola 2008).

References

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