Essay on enterprise resource planning (erp)

Business, Company

Enterprise resource planning (ERP) is an extremely valuable and crucial approach, which is implemented to improve the performance and productivity in companies. It is extremely crucial that board members and business owner have an extensive overview on the merits and demerits of the ERP system before implementation. ERP is regarded a systemic approach to improve performance and efficiency as well as organize resources in industries. Companies implement ERP in order to centralize their database and all the functions of their department to a single system. Consolidation of records or data to a single system allows the employees get updates on key processes involving the production and supply chain. The system includes many components like the software modules which are used to integrate and manage all the private and business records of a firm (Simha & Jeffrey, 2011). If this system is used in correct form and managed well, a firm can increase its profits and reduces its' loses. If used in the proper manner, communication between department heads will be easy and smooth especially when a problem exists in the performance of the company.

Among the main key, implementation issues of the ERP is the ERP consultants' issue. The ERP market has had a drastic growth in an extremely short time, a fact that has brought about a shortage of fully qualified consultants. This skill shortage is remarkably immense that it cannot be meet immediately. The implementation of ERP requires functional, interpersonal and technical skills, and in the current time there is a shortage of consultant with these skills. The best example is given by the current United States ERP market. The United States ERP market stated around five years ago, which it later grew astronomically and is still growing. On the

contrary, there are few consultants with three or more years of ERP experience. The result of this issue has caused the compensation of a skilled SAP consultant to rise through the roof. Only one years experience will demand a compensation of $70000-$80000 per year, while with an experience of three to five years would require $200000 per year. It is possible to find consultants with an extremely high expertise in an area while he or she lacks expertise in another different area. Managing an ERP consulting firm and its employees is more challenging than hiring a consultant. This challenge poses a substantial risk to the success of the firm (http://www. erppandit. com/erp-implementation-issues. html).

Another key ERP implementation issue is the reengineering of the existing process to archive the best standard in business process. Among the benefits of ERP system is reengineering a firm mode of business operation. All the firms' processes must conform to the ERP model. At times, it is extremely hard to get everyone in a firm to agree to a single process. Some business processes sometimes are so original that their preservation is remarkably vital, and only the right steps need be taken in customizing theses business processes. This situation is evidently seen in Hydro Agri north America, Inc, which implemented SAP r/3 around 1994. Since then this firm has been struggling and fighting the integration SAP, provides due to the uniqueness in the companies processes. By the company trying to fit SAP, the result was more pain and fewer results. Now the company will either use a different package or build a different front end application whenever the companies' processes clash with that of SAP. Hydro Agri now faces a question as to whether the ERP software should be implemented and

adopt its procedure or to have product customization for the unique needs of the company. From research, the best application package is only able to meet 70% of the total organizational goals. Companies should try and keep their current system as they are in order to reduce customization cost, upgrade expenses and future maintenance (Olaf, 2011).

The third ERP implementation issue is the implementation cost. The total ERP implementation cost can rise 3-5 times the buying price of the ERP software. The increase in implementation cost is as a result of the increase of degree of customization. 30 percent of the entire implementation cost is used in hiring consultants and all that comes with them. Information and facts given by Gartner group states that an outside SAP consultant, will charge approximately $1600 per day. This creates a worry if I will be required to go for an in-house SAP trained technologist. After training, it becomes hard to retain employees as the market is still in utter demand for their skill. From this demand, employees are able to demand a double or triple of their previous salaries once they accept other positions. Because of implementation cost, firms and companies are opting to finish their projects within a short time (Jim & Peter, 2005).

References

Simha R. M, Jeffrey W, (2011), Integrated Business Processes with ERP Systems, New York,

Wiley Publishers.

Olaf S, (2011), Using SAP: A Guide for Beginners and End Users, SAP Press Publishers.

Dimpi S, Aarti B, (2010), ERP Systems, I K International Publishing House .

ERP Implementation Issues. (n. d.). ERP Guide - Enterprise Resource Planning and

beyond. Retrieved October 27, 2012, from http://www. erppandit. com/erp-implementation-issues. html

ERP System Implementation | Consona. (n. d.). ERP Software, Knowledge Management

Software, Product Configuration Software | Consona. Retrieved October 27, 2012, from http://www. consona. com/erp-system-implementation

Jim M, Peter W, (2005), SAP R/3 for Everyone: Step-by-Step Instructions, Practical Advice, and

Other Tips and Tricks for Working with SAP, Prentice Hall Publishers.

Sharma, P. B., & Jayanth. (n. d.). CRITICAL ISSUES AFFECTING AN ERP IMPLEMENTATION. Carl Rebman Associate Professor of Information Systems, USD. Retrieved October 27, 2012, from http://carl. sandiego. edu/gba573/critical_issues_affecting_an_erp. htm

retval;}, e. (n. d.). Experts Offer ERP System Implementation Tips. Government Technology:

State & Local Government News Articles. Retrieved October 27, 2012, from http://www. govtech. com/policy-management/Experts-Offer-ERP-System-Implementation-Tips. html