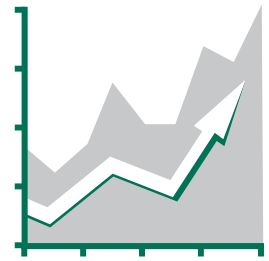


Financial Adviser

A Competitive Edge: Is Your Company Ready for ERP?



Virtually every large corporation now uses an enterprise resource planning (ERP) software application and after three decades of experience, the software has clearly demonstrated its value.

For most of that time, ERP's high initial costs have deterred smaller companies from implementing ERP products. But now that's changing. In the last several years, many small businesses have implemented various ERP systems.

ERP costs have dropped dramatically — 40 percent overall in the last five years alone — and today some versions, though not cheap, are well within reach of small companies.

THE ERP VALUE PROPOSITION

ERP applications deliver benefits in two main areas: integration and information.

By putting its financial, sales, inventory and operational functions on the same platform, a company can more easily link these processes. Real automation becomes possible as actions in one area automatically trigger actions elsewhere. Materials movement — the use of a side panel in an assembly, for example — generates inventory adjustments, ledger postings, changes to purchasing schedules, and even the movement of a side panel in a far-off warehouse.

Some ERP systems have expanded these linkages to include human resources, marketing, supply chain, product life-cycles and other business functions.

Perhaps more important, by putting these processes onto one common platform, an ERP system furnishes decision makers with real-time visibility into their business. The old frustration of conflicting information from separate systems in accounting, sales and operations is replaced by companywide facts and figures. As a result, companies can analyze more effectively, forecast more accurately and make the right decisions faster.

Two factors have combined to drive the spread of ERP in small and mid-size businesses. First, many companies are running on software infrastructures that were installed, or last enhanced, around the Y2K crisis, and these need upgrading. Also, ERP vendors have vigorously developed products geared to smaller companies, where major growth opportunities are forecasted.

While companies can buy generic ERP applications and customize them to fit, more vendors are offering industry-specific applications, including systems geared to manufacturing or distribution companies. Meanwhile, big players like SAP, Microsoft and Oracle have tailored their products to smaller companies, resulting in quicker implementation times and return on investment.

Hosted ERP applications provide another option. NetSuite and SAP's Business ByDesign run on the vendor's hardware, accessible via the Internet, and carry pre-set hosting fees.

FIRST STEPS IN IMPLEMENTATION

While ERP systems have been simplified, they are still relatively complex. And like any complex IT project, careful planning is required. Too many companies rush headlong into an ERP implementation without devoting the necessary time and resources in the creation of an installation plan.

New computers don't compensate for chaotic recordkeeping. The same is true in business, where it's all too easy to transfer chaos into an ERP application. Before implementation of an ERP system, a company should review its business processes, identify needed changes and have those changes in place. The opening stages of an implementation should include:

Preliminary development of functional and technical requirements for the software.

What processes must a new ERP system support? What existing software must it communicate with?

First-cut assessments of available systems based on advertised features. Most small businesses have standard needs but may require some customization; look closely at interfaces and ease-of-use.

Detailed assessments of A-list products. When you've identified likely candidates, take some long test drives. Involve vendors, IT brains and employees who'll actually use the product, and get complete, accurate quotes.

Choice of an implementation partner. For every ERP system there are many implementation consultants who have experience helping companies implement ERP. Engage them after looking closely at their track records and checking their references.

Change management. Few people take naturally to change, and ERP means change. Develop communications and training plans to help employees adapt.

If you would like to explore the possibilities of ERP software, please contact Dean Fair at McGill, Power, Bell & Associates, LLP at 814/724-5890 or dfair@mpbcpa.com.

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