ERP Systems

By Name

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Executive Summary

An ERP system is essential to ensuring that business operations are handled with extreme effectiveness and efficiency. However, the ERP system is always referred to as a people project. This is because a majority of the expenses that are incurred always revolve around the people in the project. For this reason, it is crucial for the management of a company that is investing in an ERP system to ensure that the proper and skilled personnel are used in implementing the ERP system for the enterprise. Cadbury World Company implemented the ERP system from the year 2005. The system proved to be a success for them. On the other hand, Hershey Company experienced some failures after implementing a new ERP system. The company incurred numerous losses regarding sale losses and challenges associated with the system. However, there are some measures that can be implemented to ensure that the system is as efficient as possible for the company. An ERP system is meant to increase the level of efficiency and effectiveness for the company as a whole. This paper examines the use of example, the causes of ERP system failures and how they can be managed to improve company operations.

Contents

Introduction

The Enterprise Resource Planning System refers to a business management software that runs a series of applications designed to help a business to collect, store, manage and interpret data from various business activities. However, some costs are associated with the implementation of the system. These costs are dependent on the number of personnel that has been selected to work on the system. Running such a system requires one to have highly skilled labor. The system offers and opportunity for the business to integrate all of its core business operations in the most efficient and effective manner (Seddon, Calvert & Yang 2010, pp. 130). The system is designed to handle highly sensitive information that belongs to business. For this reason, the security of the data should be taken very seriously. This will ensure that the company, data is safe from any external threats or malicious attacks.

Discussions

The ERP systems are often categorized as a "People Project". This is because they required the expert services of various people who would be deployed to work on the systems project. However, some challenges were faced during the operations of the ERP system. The ultimate goal of ERP systems is to lower the operational costs of businesses while increasing the level of efficiency and effectiveness (Irani 2010, pp. 99). However, further research indicates that the system has in some instances failed to help businesses achieve the goals that were intended for the implementation of the new ERP system. An ERP system is usually customized to suit the needs of a particular business that is in need of its services. An ERP system provides an integrated view of all the business core processes, real-time. The system tracks all the core processes of a business which include cash, production, orders, and purchase orders, among others.

Several companies have successfully used the system in their operations. For example, Cadbury World is one of the companies that have successfully implemented the ERP system. After the implementation of the ERP system, the company had 1,750 applications that were linked to the system by the year 2008. This indicates a successful implementation of the ERP system in the company. However, by the end of the year 2005, the company was left with an excess of chocolate bars. The company embarked on an IT transformation project in the UK, which was

part of a five-year plan. However, the implementation process for the company was far from being smooth. The project experienced several delays and problems that faced it (Kitto & Higgins 2010, pp. 180). The company only experienced these challenges when it was first introduced in the year 2002, in Australia.

The company chose to implement the new ERP system because it was in a fast paced growth. For this reason, they could not afford to continue using the previously existing system. The new system would increase the level of efficiency and effectiveness of the company and its operations. The new system was able to give the company a new warehouse system management. Also, it brought into the structure to the branch offices and depots as well (Karimi, Somers & Bhattacherjee 2007, pp. 120). The company also benefited from the system in that it, built it on the existing strengths. This enabled it to retain its original competitive edge in the market. The company witnessed huge savings in the operational costs. The cost savings began as early as in the implementation phase itself. The competitive nature of the nature of the company in the market did not change. This is because the implementation of the new system was not advertised or made known to the public. The process was done internally at the discretion of the staff members.

The Hershey Company is another company that felt the need to upgrade its ERP systems. However, the system failed to work for them as it did in the case of Cadbury World. As soon as the system was implemented, the company began experiencing problems with its order fulfillment, processing, and shipping. The company was not able to commit to its set delivery dates. This acted against the success of the company. The new systems began to fail on them. The distributors attached to the company were not in a position to distribute their products to their customers in good time. The retailers did not receive their ordered products on time (Sodhi, Son & Tang 2008, pp. 110). This lowered the level of credibility for the company. The market began viewing the company not to be a credible one. By the end of September 2000, the company's inventory had piled up. The inventory was 25% more that the inventory present in the previous year for a similar period.

By this time, the company was forced to announce to the public that the problems it was facing were due to a new system implementation. This caused the stock prices of the company to

decrease by 8% within a single day. Failure of the company to implement the ERP system on time, cost the company over 150 US dollars in sales. The company also began to witness reduced profit margins. One of the main reasons as to why the system implementation failed was the over-squeezing of the implementation schedules. The company also neglected the testing phase of the system, because they were in a hurry to implement it on time (Ahn & Choi 2008, pp. 90). The company learned some valuable lessons from the experiences they encountered when implementing the ERP system. For the Hershey Company, the implementation of the new system was a total failure for them and did not help them in improving their sales in any way whatsoever. Instead, it drove their business prospects down.

Analysis

Based on these case studies, it is evident that the success of any ERP system is highly dependent on the personnel used to implement it. An ERP system is often referred to as a people project. This is because it requires the use of skilled personnel to ensure the success of the implementation process. Some procedures should be undertaken before beginning the implementation process of the ERP system. A feasibility study needs to be conducted to ensure that the ERP system is designed to fit the requirements of the company (Benco & Prather 2008, pp. 109). The company should be in a position of ensuring that the current systems it is using need an upgrade. Also, they should identify the possible improvement opportunities for the current systems. The ultimate goals of this system are to ensure that the business operations are made more efficient and effective. This will improve the credibility of the company in the market. Also, it will facilitate further growth and expansion of the company.

The ability to gain personnel that are skilled enough to engage in this exercise is an exhaustive task. After the feasibility study, the most appropriate ERP system is then developed to ensure that they are in a position to gain a competitive edge in the market. Companies that are seeking to implement new ERP systems incur huge costs that are related to the people involved in the process. The skilled personnel are hired to ensure that the system implementation is a smooth and successful one (Karimi, Somers & Bhattacherjee 2007, pp. 120). For this reason, any failure that occurs can be tied to the involvement of people when implementing the system. For example, Hershey Company experienced a total failure of their ERP system implementation

process because the company was interested in cutting down costs by omitting some elements of the implementation process. These costs were geared to ensuring that the personnel conducts a testing exercise of the ERP system. However, the majority of the costs is linked to people behaving in this manner.

The successful implementation of an ERP system is also dependent on good management. A project manager is responsible for overseeing all the processes involved in the development phase. For this reason, a project manager should be highly skilled in all actions that are associated with him. The project manager also acts as an advisor to the client, who is the owner of the business. This is because he has the adequate knowledge required to implement the ERP system. People who are qualified enough to engage in the implementation process are difficult to come by at times (Morris & Venkatesh 2010, pp. 79). Human beings are prone to errors and mistakes. However, these errors can cause the company to incur some expenses in the form of implementation costs. People dictate to the management about the items they are going to buy and how they will be useful to the company in the long run.

In some cases, the people can often recommend some materials that are wrongly described in the business. For example, the IT specialist can recommend the installation of substandard computer devices with the hope of reducing some costs to the owners of the project. In the end, this can be highly costly to the company in the end. This is because the company will not be in a position to attract as many customers in the market as it had earlier anticipated. The project manager is tasked with the responsibility of ensuring that all aspects of the project are going as planned. It is crucial for all parties to understand the implications that are involved in the implementation process. The actions of each can change the direction of the project and ensure that it is a successful one (Kitto & Higgins 2010, pp. 191). Virtually all the costs associated with the implementation of an ERP system are dependent on the actions of people involved in the project. The costs include salaries and wages, advice from the project manager on what to buy, and also interact with other third parties who will help to facilitate the development of the project.

Solutions

Despite the huge costs incurred by the people involved in the project, the company can implement some measures that can be used to understand the implications of the potential

challenges that can be faced by a company while implementing the ERP system. Understanding all the processes that are involved in the system, can be a great way of ensuring its successful implementation. In a bid to reduce the costs involved, the company can begin by conducting a feasibility study. This will help in identifying the viability of the proposed new ERP system. The feasibility study will help in identifying the system management gap that is present in the operations of the company. This will make it possible for the company to increase the chances of a successful implementation process. Also, the company should conduct a thorough search for the right project manager (Liang, Saraf, Hu & Xue 2007, pp. 93). The interview sessions should be rigorous in a bid to identify the most appropriate candidate for the task. The candidate should possess all the knowledge required in implementing an ERP system in a similarly sized company. This knowledge will come in handy when implementing the new system.

The clients or owners of the business should ensure that provide strict supervision of all the staff members working on the project. Learning from the mistakes made by the Hershey Company, the implementation process should not be rushed through. Extra caution and time should be taken to ensure that everything is done just right. This will minimize the chances or errors being made in the implementation process. For this reason, the company will be able to have a successful and fully operational ERP system. Also, the company should examine the experiences of other companies that have tried to implement the ERP system in the past. This is aimed at learning from their mistakes and trying to avoid them (Wang & Ramiller 2009, pp. 97). Once this knowledge is gained, the company can carefully prepare the implementation process, thereby ensuring that a successful outcome is achieved. It is in the best interests of the advancing company to be as careful as possible because it ensures that the business opportunities of the company will continue increasing and progressing further.

The staff members working on the project should be adequately trained to ensure that they conduct an effective job on the system. It is the responsibility of the project manager to choose a team of people that is well skilled and well equipped to work on the project. This will increase the chances of the system implementation process to become the most successful one. A thorough interview session should be conducted on all potential workers in the system. The interviews will help in selecting the best group of people who will be used to ensure the system

is working correctly (Benco & Prather 2008, pp. 109). Third party companies are often used to develop the software system that will be used in the ERP process. The client company should contact only credible technology companies to develop the ERP system on their behalf. A proper search for the most appropriate technological firm should be conducted, where the advantages and disadvantages of the shortlisted firms are selected. This analysis will help them to select the most appropriate company to work with.

The required equipment will be properly scrutinized before a purchase order is made. This is aimed at ascertaining that the equipment is adequate and well advanced to handle the tasks that will be presented to it. The equipment bought and installed will help the company in achieving its goals in the business environment. If the equipment fails, then the company will not be able to achieve its obligations in the market successfully. However, the company will rely on the skills of the project manager to identify the appropriate equipment to be used by the system. This will ensure that the system runs smoothly, with the highest level of efficiency and effectiveness (Sodhi, Son & Tang 2008, pp. 120). For this reason, it is crucial for the project manager to select a team that is well skilled in engaging in the exercise. And the experienced team will also go a long way in ensuring that system implementation is a successful one. Also, the contracted technological company should be a credible company that is capable of providing original equipment to the client company.

Personnel

The project manager should be aware of the steps or procedures that are necessary for implementing the system. The ERP follows a certain sequence that ensures everything works together to produce a complete and integrated system. Learning from the actions of Cadbury World, the successful implementation of the ERP system will increase the company ratings in the market. Cadbury increased the sales revenue immediately after implementing the ERP system (Davis, MacDonald & White 2010, pp. 209). To the company, the ERP system was a success. For a business that is trying to set up its ERP system, and investigation should be conducted on other companies that have been in a position to successfully gain from the use of ERP systems. For example, the company can learn from the actions of Cadbury World by examining the actions they undertook to achieve such overwhelming success in their operations.

Engaging in similar activities will increase the chances of having a successful ERP system in operation. Also, it is beneficial for the company to learn from other companies that have engaged in a similar exercise.

Acquiring skilled personnel will incur additional costs for the company as part of the implementation costs. However, the fruits of these expenses will be realized when the company is in a position to enjoy the benefits that are associated with the ERP system. Another method of dealing with these challenges is by negotiating contracts deals with line distributors and retailers at the end consumer. They will be educated on how to operate the new system regarding making orders and deliveries. This will ensure that the products reach the end consumer as quickly as possible and in the right condition. The main purpose of the system is to provide efficient services to the end consumer (Van Rooij 2011, pp. 176). When all the stakeholders are aware of the processes involved, it will increase the chances of success for the company. All stakeholders should be in a position of understanding and adhere to the new system. Constant engagement with the stakeholders will ensure that the end consumers are satisfied with the satisfied with the services offered by the company.

The company will incur additional expenses in conducting training sessions for the stakeholders. This is meant to increase the chances of success. Based on the failure experienced by the Hershey Company, the stakeholders in the supply chain were not in a position of providing the company's products to the consumer. Because of the high levels of inefficiency that the company was experiencing with the system failure, there were lags in order delivery and logistics. As a result, the company increased the amount of inventory in its warehouse because they continued with the same rate of production. However, the company should have taken the initiative of educating their stakeholders in the distribution channels on the various ways in which they can take advantage of the system (Ahn & Choi 2008, pp. 98). For example, the distributors could have their orders early in advance to ensure that the lag time is adequately compensated. Though the company was experiencing some problems with the ERP system, it would have bought them some time to rectify the problems that were faced by the system. In a bid to understand these challenges, companies should formulate a contingency plan that will be executed if the ERP

system fails at the first instance. This plan will help the business rescue the situation before it escalates into providing inconveniences to the consumers.

Conclusion

An ERP system is a management software that will in the upgrading process of a company. However, some challenges can be faced by the system. The system can fail to deliver on the goals it was intended to achieve. Some measures can be undertaken to ensure that the system is as efficient as possible. The ERP system is often referred to as a people project. This is mainly because it is associated with the involvement of people in the implementation phase. The system requires the services of skilled personnel to execute the activities involved in implementing the system. At the same time, people are prone to making errors that result in the failure of these systems. However, these challenges can be properly managed to ensure that they have a minimal effect on the system. The most crucial aspect of the project is hiring a project manager who is highly skilled and possesses the required expertise and experience to get the job done.

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