– ERP –

THE ULTIMATE GUIDE (2020)

Get a comprehensive understanding on Enterprise Resource Planning (ERP) for SMEs

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HISTORY OF ERP

With the birth of cloud computing in 1960s, factory production raised, which created a need to manage production striking the right balance along with maintaining customer demands. Materials Requirement Planning (MRP) software was created to plan the entire manufacturing process from production to delivery. Companies were benefitted in terms of stocking up the required inventory only, instead of investing heavily at once. This helped companies to utilize their resources better. By 1975, majority of the firms were using MRP software to manage their manufacturing process, however, the cost incurred was manageable only by large sized companies.

The software was running on mainframe computers with average computing skills as compared to present day laptops. Later in 1972, a German company created real-time business software, which was a completely new concept altogether back then. In addition to this, financial management software were being developed too, but as a separate entity. In 1980s, the MRP optimized its performance with added features around capacity requirements and was termed as MRP II. In early 1990, Gartner Group coined the software term – Enterprise Resource Planning (ERP) explaining it to be an extended version of MRP and MRP II.

ERP included back office functionalities like project management, HR, accounting and finance, and engineering. Towards 2000s, there were substantial developments in the software and it was being deployed over the internet. This ERP was capable of integrating different software used by companies onto a single platform. Today's ERP systems have evolved even more. They are usually cloud-based and are being delivered through SaaS model. Along with web access, they run smoothly both on mobile and from remote locations.

Modern ERP software manages supply chain, finance and accounting along with other company operations. These are the business intelligent software systems that come with advanced reporting, predictive analysis, customer service, and sales and marketing automation features. The ERP market is growing at an approximate of 15% annually and is expected to reach $85.9 billion by 2022.

WHAT IS ERP?

What is ERP? The easiest way to define ERP is understanding its full form – Enterprise Resource Planning. It sounds as simple as it is termed. Think of a company running multiple operations – finance, accounting, human resource management, IT infrastructure, inventories and multi-language/ currencies. Using separate software for individual operations leave a room for errors and result in disparate information. Also, collaborating with different departments or team members for a common issue or task becomes difficult.

On the other hand, ERP system collaborates all such operations onto a single platform. In addition to tradition ERP software, the modern-age setup involves sophisticated technologies like machine learning and artificial intelligence to offer predictive analytics, higher data visibility and enhanced efficiency across multiple business aspects. ERP systems have involved drastically over the period of time. With everything getting mobile these days, companies enjoy the benefits of accessing data anytime from anywhere in real-time. This enables vital entities of the office to focus more on business development rather than being stationed to their cubicles.

BENEFITS OF ERP

ERP application offers a plethora of benefits that focuses on mobility, predictive analysis, smart reporting, simplified IT infrastructure and lower risks. All of this results into nothing but improved productivity and agility.

ROBUST SYSTEMS:

Modern ERP systems are flexible, configurable and robust. While implementing ERP systems, it is important to customize features as per your business needs for the smooth operation of daily activities. Modern-age ERP software grows along with your business. Therefore, it becomes easier for you to add new users as and when required.

REAL-TIME DATA:

One of the biggest advantages of using an ERP system is it offers real-time data visibility. ERP systems within any organization allows the data to flow systematically through multiple departments synchronizing the common tasks. Real-time data accessibility results in accelerated decision-making process that is up-to-date and precise.

EFFECTIVE PROJECT MANAGEMENT:

ERP software allows its users to keep projects on schedule and on budget with flexible estimating, tracking, and project billing. This helps you tap into a real-time, unified view of your company's finances and operations. Remote working through real-time data access.

LOW INFRASTRUCTURE COST:

Cloud ERP systems allow companies to host their data on remote servers that are managed and maintained by third parties. This saves time and finances required to setup an in-house IT infrastructure and allocate separate resources to manage the same.

INTELLIGENT REPORTING:

ERP systems allow automated report generation that can replace the time consumed by mundane tasks. In addition, these reports can be customized in a way that allows pulling out both simple and complex data. Users can reduce dependency on IT by running their own reports.

ENHANCED BUSINESS OPERATIONS:

ERP system offers a collaborative platform for diverse segments of business to act as a single unit. The interdependability between departments is addressed in a more robust way than causing discomfort in the process. As a result, operations are enhanced for driving business profitability

IMPORTANCE OF ERP

Increased Agility	Better Security	Higher Productivity
Business Scalability	Reduced Cost	Enhanced Profitability

ERP systems play a vital role in driving business profitability. Investing in bigger technologies is not restricted to MNCs anymore. Even smaller businesses and their counterparts are acquiring modern tools and enterprise applications to simplify their operations. This has raised the liking for ERP systems making it important among businesses of all kinds and sizes. ERP software enables organizations with a solid collaboration of multiple departments onto a unified platform.

This increases business productivity through shortened turnaround time. The time involved in communicating with multiple departments and teams for a specific resolution of a single property will be more as it will demand attention and ideas for different teams working on it. More the manual communication, higher will be the resolution time. On the contrary, when multiple entities have to work together on a single attribute, it is easier to use ERP software.

The data is updated the data in real-time and various departments can access this data through a single software with personalized dashboards. This will minimize the communication required between two parties and maximize the productivity.

HOW DO ERP SYSTEMS WORK?

ERP focuses on improving efficiency thereby resulting in enhanced business productivity through optimum resource utilization. These resources could be time, money or staff. ERP software majorly consists of four modules – Accounting & Finance, Manufacturing & Distribution, Service Management, and Sales.

It addresses every process involved in these tasks, creates reports, updates information in real-time and collaborates multiple departments. In short, ERP does following two things:

• It stored information from multiple departments of the company in one place connecting all the data automatically
• Enables faster decision making process through this data since you can access all the information from the same place.

TYPES OF ERP

ERP is of 3 different types namely, Cloud ERP, On-Premise ERP and Hybrid ERP. Let's discuss each one in detail:

- Cloud ERP - This type of deployment manages the software and its data centrally (the internet cloud) and allows its users to access this data through a web browser. The overhead cost and efforts involved in implementation is reduced significantly, since the IT infrastructure is managed by the ERP vendor. There are certain advantages with this type of setup like, faster deployment time, timely system upgrades and better performance. Since, there is no additional hardware required in Cloud ERP, the time involved in procurement and installation of IT infrastructure is saved. Also, the deployment takes not more than six months. The ERP system vendor continuously upgrades the system with newest versions, hence you can be rest assure that the system is up and running smoothly. With Cloud ERP, companies can expect optimized performance and better accessibility.

- On-Premise ERP - In On-Premise ERP, the solution is installed locally on computer's servers and hardware. This is then managed by the IT staff. The primary investment in this kind of setup is quite high since the software is implemented in-house along with related hardware and servers. Companies will have to resource dedicated IT team to maintain and upgrade the system, which demands a lot of time and efforts. Yet, it allows its users the complete freedom to access their own data with additional customization abilities and gain control over implementation process

- Hybrid ERP - This solution is the best combined outcome of both On-Cloud and On-Premise ERP. Most of the companies aim to enhance their existing on-site ERP without compromising on the hosting server. Such companies serve as the potential buyers of Hybrid ERP since in-house ERP is complemented cloud-based servers for enhanced performance. There are times when companies don't want to invest in certain functionalities during initial implementation, however this scenario can be replaced in future. Hybrid ERP is therefore preferred because it is simple and scalable.

ERP BUSINESS VALUE

Enterprise Resource Planning (ERP) system serves as a single platform within a company that gathers and organizes shared data to be utilized by multiple departments. To put it in simple words, it integrates multiple departments within an organization on a single platform to access common information.

For example, an ecommerce company has a task of fulfilling an order. This will involve placing an order, shipping and billing. In traditional cases, following steps involved in order fulfilment process will have to be performed manually.

- Product Inquiry
- Sales Quote
- Order Configuration
- Order Booking
- Order Confirmation
- Invoicing
- Order Sourcing
- Order Changes
- Order Processing
- Shipment
- Track and Trace
- Delivery
- Settlement
- Returns

Carrying out these process manually will demand a lot of time, efforts and a constant attention. This mechanical work will take up most of your company's resources and you may not be able to utilize them in more important activities. On the other hand, an ERP system provides automation that will reduce manual efforts involved in a particular process.

An ERP software lets you know when the order has been placed and how many orders are waiting in the pipeline. Based on this, respective department can store and track inventories to make sure neither a single order is missed nor does the inventory face shortage problem. Further to this, companies can connect multiple courier services to manage the order and finally fulfill the delivery and further, returns if required. Since all of this data can be retrieved from a single platform, ERP systems add tremendous value to any business. Check out our ERP solutions by location.

ERP IMPLEMENTATION

ERP IMPLEMENTATION PROCESS CAN BE SEGMENTED INTO FOLLOWING STEPS:

Design & Planning:

This is the first and foremost step in the entire process and is very crucial too. At this stage, companies and vendors are expected to clearly define the business objective. Without understanding business goals, companies can neither create a roadmap nor anticipate risks. This can lead to greater loss of resources in nearing future. Once the objectives are set, the next important thing to do is resource planning and project timeline and scheduling. After this comes the design part where an implementation strategy is to be developed and initiated. It is very important to carefully plan and allocate resources to projects depending on their skillset. Maintain documentation for every step.

Analysis:

Align ERP software feature and functionalities as per the set business goals and requirements. Perform GAP analysis to understand the present and future business performance and create a strategy to bridge this gap.

Development:

Build and customize the feature and functionalities and ensure that all the necessary modules are included. Re-engineer the tasks to ensure there aren't any loopholes.

Testing:

Check if all the system functionalities align with the project requirements. Check for consistency with multiple test cases, identify bugs and fix them. Ensure that the software runs error-free before deploying it on the server.

Deployment:

Assuming that the environment in which the client wants to deploy the software has been freezed in the initial stage, vendors should focus on essentials. These will include setting proper benchmarks and monitoring the implementation progress.

Support and Training:

Once the ERP software is up and running, it is important to get hands-on of all the feature and functionalities. Vendors are expected to perform regular updates and maintenance.

Go-live:

At this stage ERP software is completely ready for use by the end user with real-time business functionalities.

MULTI-TIER ERP SYSTEMS

This strategy is adopted by multinational enterprises to address their company needs through segmentations. While Tier 1 ERP focuses on corporate level processes and finances, Tier 2 ERP is designed for smaller divisions of the company to address their unique needs.

Companies gain full control over their operations, save cost and address industry specific needs through ERP.

Few of the many benefits of multi-tiered ERP systems are as follows:

1. Economical

2. Industry-specific functionality

3. Improved UI/ UX

4. Greater agility

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Locations:

Navi Mumbai
301, 3rd Floor, B wing, Everest Nivara Infotech Park, MIDC Main Road, Indira Nagar, Turbhe - 400705| Navi Mumbai |
+91-22-67687872 |

Gurugram
IRIS Tech Park, Tower A, 306 C, Sohna Rd, Sector 48, Gurugram, Haryana 122018 | Gurugram |
+91-124-4227769 |

Chennai
No. 7, 3rd floor, Sharmi Devi Plaza, Sardar Patel Road, Guindy, Chennai – 600032 | Chennai |
+91-9962666339 |

Bengaluru
301-305, Ammashree Chambers, ST Bed entrance, Koramangala 4th block, 80 feet road cross, Bengaluru-560034 |
+91-80-41706330

+91-22-67687872 | 1800-1024-951 | SMS SAGE to 56767 | sales@sagesoftware.co.in