ERP 101

A guide to getting started with
Enterprise Resource Planning Software

Three Little Letters,
One Big System

What is ERP, Anyway?

These days, ERP is one of the most bloated acronyms in the software industry. Billions of dollars flow into enterprise resource planning systems every year, but what exactly an Enterprise Resource Planning software system entails can be hard to pin down.

Any company aiming for growth (even SMBs) will find an ERP system well worth the cost and transition process. If you're using multiple software tools to manage your business, switching to or integrating your existing system with a comprehensive ERP can be a good way to consolidate your data even reduce overall IT costs.

What You Can Expect from an ERP System

- More productive day-to-day task management
- Reduced time spent on business activities that overlap into multiple departments
- Efficient, effective compiling and monitoring of business data
- Knowledgeable and helpful consultants and support service to help your company undergo a smooth integration (most ERP vendors offer assistance or can provide contacts to trusted consultants)

ERP Snapshot

Market Size
$24.5B

SaaS Market Share
12% in 2012

Industry Leaders

SAP

NETSUITE

ORACLE

Anatomy of an ERP System

The point of an ERP system is to improve your everyday business functions, so ideally you'll find one that increases the productivity of your employees as well as your business model. Keeping this in mind, there are some key factors to look out for when researching your ERP options:

Scalability. Whether your company is switching to a new ERP vendor or introducing an ERP platform for the first time, it's important that the solution be adaptable to your current processes. Some solutions can be deployed in phases, ensuring that your company adjusts to the new system.

A user-friendly interface. Regardless of your existing business size, if you plan to grow in the future, you'll want a platform that will be relatively easy for new users to get acquainted with. An intuitive interface will make the transition to a new software system that much easier.

Module-based functionality. Deciding on an ERP is almost always a long-term investment, but the needs of your company may change over time. Many of the top ERP systems let you pick and choose which features you need, making your dashboard as streamlined or comprehensive as you need it to be. These systems also scale well, since you can always add on additional features down the line.

Key Functions of ERP Software

Financial Management

Manufacturing

Customer Relationship Management

Supply Chain Management

Project Management

Human Resources

On-Premise vs. In the Cloud

Because of the complexity of ERP solutions, the enterprise resource planning software industry is torn between traditional on-premise systems and cutting-edge cloud-based innovations. What works for you depends on your specific business needs.

On-Premise ERP Systems. The powerhouse of the software world, on-premise systems are installed locally on your company's own hardware and servers. These ERP solutions are highly customizable and powerful, but they tend to have significantly higher startup costs and time, and require ongoing tech support and hardware upgrades throughout their lifetime. Although this solution requires commitment and investment of resources, building an on-premise system gives you complete control over your system's functionality and security.

Cloud-based (SaaS) Systems. One of the key reasons why cloud computing has taken off in recent years is because of its fast delivery; users can implement their software and access their data much more quickly and easily than with an on-premise system. Cloud-based systems can be patched and upgraded remotely, and routine maintenance and updates are handled by the provider, saving you time and effort in the long run. Because you're only paying for the software when

- **Customizable**
- **High degree of functionality & power**
- **Complete data privacy**

- **Less expensive**
- **No maintenance costs**
- **Easy to upgrade**

you purchase a SaaS license or subscription, these cloud-based systems tend to be significantly less costly than their on-premise counterparts.

Why are SaaS ERP Systems Popular?

Put shortly, cloud-based SaaS systems are more agile and adaptable, making them a great fit for today's increasingly mobile workplace. The ability to quickly and easily access your data from the office, the road or at home is becoming not just a perk but a necessity.

The centralized, location-specific nature of outdated ERP does not support the decentralized nature of today's market place. Off-shoring, outsourcing, and telecommuting aren't new trends by any means, and ERP vendors have responded to them in various ways. Cloud-based ERP systems allow users to take full advantage of the ability to continuously upgrade your software and keep up with the latest trends in technology.

The traditional expectation is that an on-premise ERP system guarantees complete control of data. The potential for reduced security of data storage is a frequently cited argument against SaaS systems, yet users as well as their customers are demanding immediate access to data. The latest cloud-based ERP solutions offer reliable security measures such as data encryption, nearly-continuous bug fixes and patches, and frequent server backups.

Gartner projects that by 2017 SaaS ERP solutions will account for 17% of the worldwide ERP market.

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How to Make Sure Your ERP Implementation is Successful

The biggest mistake you can make when implementing an ERP solution is purchasing a system that doesn't fulfill your needs. Because ERP systems are necessarily tailored to your company, it can be hard to tell what will work for you before you decide on a system. Realizing you need to switch systems after you've already started implementing a system lead to a loss of time, money and other valuable resources for your company. Research is a critical step in the ERP selection process, as even the best software can let you down if it's not the right fit for your needs. Check out this mini-case study of one match that didn't quite make through the implementation process.

A Bad Fit: City of San Diego, California vs. Axon

Axon is an Integrated SAP Services and Implementation consultancy. In 2009, the city of San Diego fired Axon over "systematically deficient project management practices." Contracted to guide the city of San Diego through its software implementation, Axon failed to "adequately maintain the project plan that permits effective resource utilization...," among other deficiencies alleged by the city of San Diego.

An average mid-sized company can expect to invest between $150,000 and $750,000 for software and services during the implementation stage.

Buyer Beware: Taking the time to vet several systems and consultants can save you time and resources in the long run.

In the end, finding Axon's consultancy expertise in implementing software for local government agencies to be lacking, the city of San Diego chose to terminate their contract with Axon and move forward with another SAP-approved consultant.

What can your business do to prevent ERP implementation nightmares like the ones described above? Pick the solution that best fits your organizational structure and the processes you employ, rather than aiming to find the cheapest option. This may take some time, but in the end you may save yourself millions of dollars. Don't rush the ERP implementation project, and choose partners that understand how your business works.

Ready to Get Started?

Business-Software.com provides a wide range of product reviews, comparisons and whitepapers to help guide you as you search for the perfect ERP fit for your company. A great place to start is by reading through our expert contributors' blogposts on ERP systems and best practices. When you're ready to start comparing software, browse our entire database of ERP software or jump right into our Top 20 ERP report for a side-by-side comparison of the industry leaders.

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