How to build a Business Case for ERP

A step by step guide for plastic industry decision makers

Introduction

You are looking to make a technological investment to prepare for growth in a fiscally responsible manner. Technological investments must deliver value to a business, and to gauge this value a business case and corresponding framework to measure return on investment (ROI) must be created.

This eBook will help you make that business case and develop an ROI framework for an EPR investment.

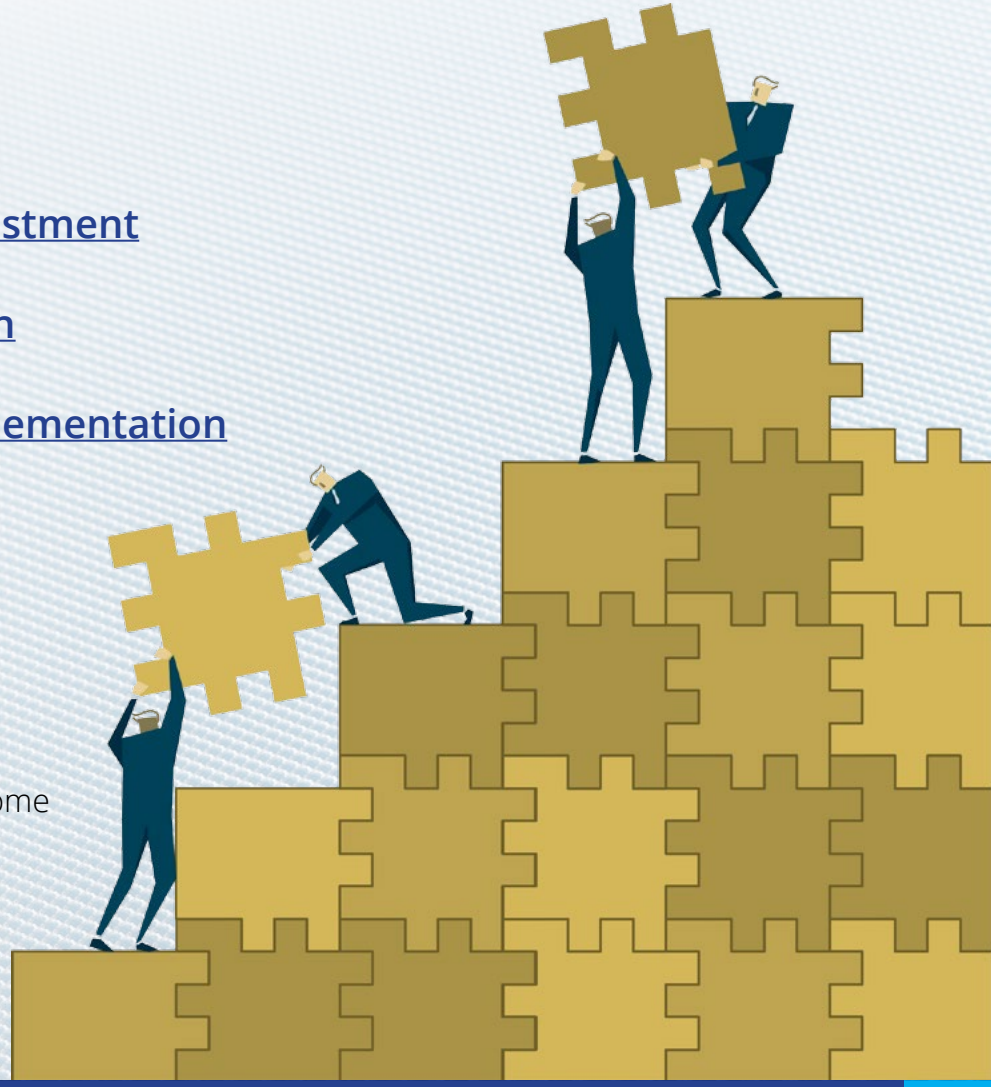
// Technological investments must deliver value to a business... //

Building the Business Case for ERP

There are 6 steps needed too create a business case for an ERP investment and to select the right ERP option:

1. Describe the business challenge
2. Assess the potential benefits of the ERP investment
3. Assess the potential costs of each ERP option
4. Assess risks that might arise during the implementation
5. Recommend the preferred solution
6. Describe the implementation approach

Our eBook will guide you through each of the six steps to ensure your ERP investment is done with minimal risk and that the outcome will improve the business's day to day functionality.



1. Describe the Business Challenge

The first step in building a business case is to precisely determine the business challenge to be addressed with the ERP investment. Describe the aspects of the business environment driving the need for the ERP project, including why the problem exists, human, process, or technology issues that are creating the problem, the impact of the problem on the business and the timeframe within which the problem must be resolved. For example:

Business Growth

The business wants to grow either through acquisition or organically. However, existing processes or business applications may be unable to adequately manage a larger enterprise. Existing accounting software may be unable to support new subsidiaries or offices in multiple countries. Acquired companies might have their own business applications; the company may need a common software application to standardize business processes across the organization. The company might need a new business system to handle growing numbers of users and transactions. Or it might need more advanced functionality, such as sophisticated reporting and business analytics, CRM, Lot Control, Inventory by Location or EDI capabilities.

Inefficient Business Processes

Existing business processes are done in a time-consuming, inefficient, and error-prone manual fashion. Employees manually extract information from spreadsheets to create reports, re-enter customer information into multiple siloed applications, as well as consolidate data from multiple companies by hand or enter data from paper timecards.

A Need to Reduce Costs

Organizations often look to reduce their operating costs to shore up profit margins. The implementation of an ERP can automate manual business processes and allow staff to focus on exceptions. Organizations seek to reduce distribution and transportation costs by bringing their operations closer to the customer. These organizations need standardized processes for managing geographically distributed operations while allowing the company to consolidate financial information.

Obsolete Systems

Existing ERP software has become obsolete as is not longer supported. There is a need to move to a new system to obtain modern functionality, integrated production and inventory control, ongoing upgrades and support. What is your business challenge and what can an EPR do to help with the challenge?

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2. Assess Benefits of ERP Options

An ERP gives companies the tools they need to address their business challenges. Each available EPR can solve one or several business challenges. The key is knowing which ERP most closely can help your business with their challenge. When evaluating different ERP options, organizations should consider how well each solution delivers these benefits.

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Accelerate Business Growth

Moving to a comprehensive, integrated ERP can give businesses the functionality they need to manage larger, more sophisticated operations. When evaluating ERP systems, ask yourself:

- Can the system can grow with you, as in a pay per user model?
- Does the ERP have the ability to deploy modules as needed so you don't pay for what you aren't using (yet)?

Improve Business Processes

The right ERP can improve efficiency by enabling integration, automation, improved decision making and better collaboration. When evaluating ERP systems, ask yourself:

- Does the system readily integrated all departments globally without needing additional software integration?
- Can the system automates tasks?
- Does the system include reporting functionality to improve decision-making?
- Are internal collaborative functionalities available?

Coherent Business Information

The right ERP can integrate all management processes into a single, coherent information system and distribute information in real-time throughout the company wherever it is needed. By sharing data throughout the system, the ERP eliminates the need for manual data re-entry, which improves productivity, eliminates lost time, reduces errors, and provides reliable, coherent data. When evaluating ERP systems, ask yourself:

- Is custom reporting a built-in feature?
- Is data sharing easy and intuitive?
- Are real-time metrics available?
- Can users customize Key Performance Indicators (KPIs)?

Eliminate Manual Processes

Manual processes are prone to errors. An ERP should fit a companies processes and eliminate as much manual process or data entry as possible. When evaluating ERP systems, ask yourself:

- Can alerts or notification be created for exceptions?
- Does the system have a simple workflow creation interface?

Better Collaboration

Organizations can provide better and faster response to partners and customers with easy to use collaboration tools. Partners and customers have the opportunity to participate in the businesses' processes and do part of the job, which reduces a company's labor requirements and costs. For example, an organization can authorize a supplier under contract or blanket order to connect to its business process management system remotely and be automatically informed of a reorder requirement triggered by a low stock alert. When evaluating ERP systems, ask yourself:

- Is a Customer Portal available?
- Is a Vendor or Supplier Portal available?

3. Assess Costs of ERP Options

Next, determine the total cost of ownership for the various ERP options under consideration. Typical costs for ERP to consider include:

Acquisition

How much does the ERP system cost to purchase out of the box? Is there a per user pricing model available?

Cost of Expanding the Solution

Is the solution comprehensive, or does it require an organization to upgrade to obtain more than entry-level functionality? Look for a solution that includes best-of-class features and a complete range of modules that can be used throughout the organization: accounting and financial management, sales, purchasing, inventory management and manufacturing. The solutions should also be easily scalable to accommodate increasing numbers of users as necessary.

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Training

Will it be difficult to train or cross train new staff? Look for a system that is graphically oriented with a common look and feel throughout. If training is required, how many hours of training are included in the implementation?

Implementation

ERP implementations are notorious for high costs. To minimize implementation costs and time and deliver Return on Investment (ROI) faster, look for software that meets your needs out of the box and adapts to the enterprise with minimal custom development and months of professional services.

Customization

Some customization is inevitable and the ERP system should be customizable to address any unique business requirements an organization may have. It is important to factor in the costs of any needed customization.

Administration/Maintenance

Are software upgrades included in the acquisition cost? If not, what are upgrade costs? The system should include simple and comprehensive administration tools to make it easy to implement updates and maintain without a huge IT staff and with minimal third-party support. The ERP system should also easily evolve with the growth and new requirements of the enterprise. Integrated design can make it easy to activate new functions when needed, connect new users to the system or quickly provide a new branch with a fully operational management system without the need for custom interfaces.

4. Assess the Risks

Potential risks and issues to consider include:

Operational Risks

- Software is too complicated resulting in low user adoption
- Gap is to large between a generic manufacturing package to add real value

IT Risks

- Short shelf life due to software not being easily adaptable to new business requirements (i.e. difficult to add new users, multi-site deployment)
- System is too IT resource intensive

Financial Risks

- Expensive add-on modules
- Extensive customization
- Per user costs not geared towards size of organization

5. Recommend the Preferred Solution

Once an organization determines the benefits and costs for each alternative, it can recommend a preferred solution.

The company selected should be heavily invested into your specific industry and possess core knowledge that will translate into business benefits. The onus should not be on your team to translate business requirements into technical specs for programming.

The system should address and integrate all departments in the company. Avoid partial solutions that require additional modules or integration down the line. The system you select must enable your organization to be more competitive for at least 10 years to justify the effort & expense.

There should be very good communication, exchanges of ideas, chemistry and mutual respect between the two businesses as you will work closely together. This is extremely important as you should have by now built up a trust relationship with the implementation team, not just with the sales people.

Be very wary of canned presentations and "the smoke show". 50% of all ERP fails so do your homework and select people who are experts in your particular business, with your specific type of manufacturing. The system should readily satisfy 95% of the critical requirements while supporting the long term vision of the ownership.

6. Describe the implementation approach

Now describe the implementation approach to give sponsors confidence that the implementation has been well thought through. When looking to a vendor's professional services team that will lead you through the implementation, consider factors that include:

- Skills and knowledge delivering solutions for your line of business and industry
- The longevity of the business providing the service
- Use of an implementation methodology that tracks a critical path for all the steps that must occur
- How well they document the implementation process, milestones, and deliverables

Conclusion

By following this process, organizations have the tools they need to precisely measure the value of any ERP investment to their operation and to compare ERP solution alternatives. They can also use this analysis as the basis for estimating potential ROI prior to the investment — and actual ROI results after implementation.

If you have more questions regarding Plastic Specific ERP Solutions, feel free to contact one of the specialists at CyFrame.

CyFrame is the leading international provider of Best-of-Breed ERPII business software solutions (ERP Software and MRP Software) dedicated to improve productivity exclusively for the plastic industry : Plastic inventory, planning and packaging software, injection blow moulding, extrusion blow moulding and blown film softwares and management systems.

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