

# ERP LEADS FIGHT AGAINST INFORMATION OVERLOAD

*More companies are settling on ERP as the best way to manage their enterprise information, reports Cliff Mills.*

For the past two decades, businesses have sought to gain control over their plethora of information systems and integrate them in order to provide a single consistent view of business operations, processes and information. During this time, enterprise resource planning (ERP) systems emerged as the panacea to define how an organisation could integrate all of its data and processes into one unified system.

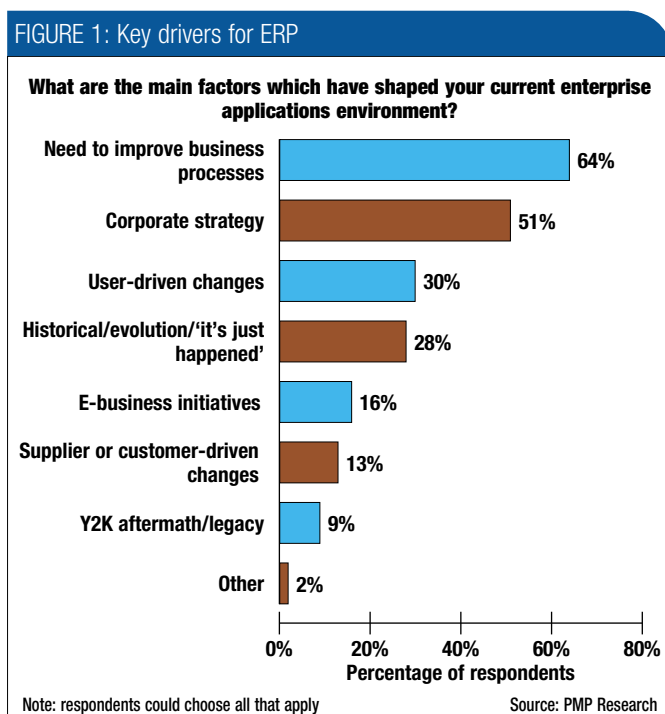
Originally a manufacturing term, ERP quickly became established as the acronym for enterprise-wide software systems designed to consistently manage an organisation's data. Since then there have been many ups and downs and a few heartaches but it is fair to say that if we look at the objectives of ERP, they still hold true.

Organisations still want their data and processes to operate in an integrated way; they still want consistency within those processes; and most importantly they want value from those systems, both in terms of reduced cost of operation and in terms of better information on which businesses can make informed decisions.

Having gone through a few iterations, ERP and enterprise solutions are now moving away from their rigid structure and developing a more flexible architectural approach based on service oriented architecture (SOA). This has been necessary, and long overdue, as organisations require increasing flexibility and responsiveness from their IT solutions.

However, there is still a great deal of historical baggage associated with ERP implementations and there's still a long way to go before they can be considered fully aligned and responsive to an organisation's business processes.

Yet integrated or ERP solutions have become the core element of the majority of companies' IT infrastructure, as this year's Evaluation Centre survey on enterprise systems shows. The majority of respondents say their IT environment is either mainly based on integrated ERP packages (30%), a combination of ERP and standalone solutions (24%), or a mixture of ERP and bespoke software (11%).



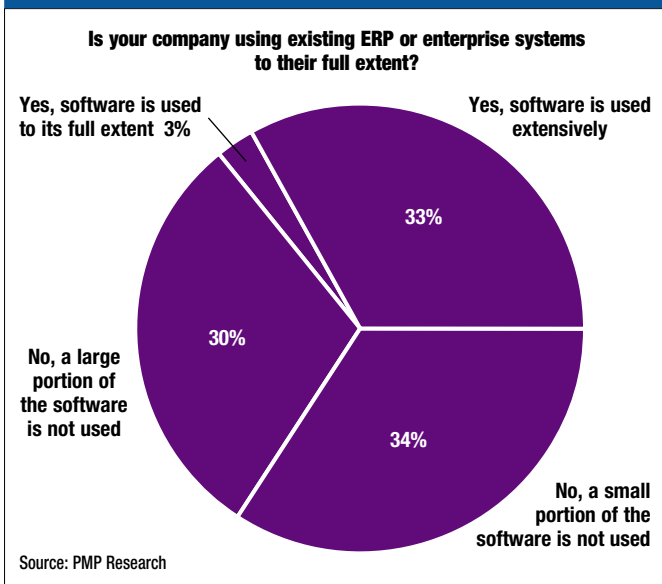
However, some companies have eschewed the integrated approach and selected standalone best of breed packages (15%), bespoke applications (8%) or a combination of standalone and bespoke software (8%).

## Driving forces

There are a number of factors that have shaped the current applications environment of an organisation (see Figure 1). Chief among them is the need to improve the company's business processes, mentioned by 64% of respondents, while just over half (51%) say development has been driven by corporate strategy, and 30% see it initiated by user-driven requirements. However, 28% of respondents are more cynical and feel that their application environment has 'just developed' with little or no planning.

It is perhaps unrealistic to expect an ERP solution to meet a company's exact needs, and there will nearly always be a requirement for configuration changes

FIGURE 2: Use of ERP system features



and software modifications. The majority of companies have needed customisation of their ERP applications – with 16% requiring ‘extensive’, 21% ‘significant’ and 22% ‘moderate’ alterations. Only 9% of companies have made no changes at all and a quarter have made just minor changes.

However, as business and operational requirements develop, there will be an ongoing need for modifications – and few companies find this a straightforward process. Only 3% describe it as ‘very easy’ and 12% as ‘easy’ to accomplish, compared to the 10% who say it is ‘very difficult’, 24% ‘difficult’ and the largest proportion, 43%, who have found it ‘moderately difficult’.

In selecting any integrated solution, you have to ensure the software functionality meets the business requirements and supports all the company’s business

processes. It is therefore surprising that in a high number of cases (30%), respondents believe a large proportion of their software functionality is not used to its full extent (see Figure 2).

This may be due to the software having a lot more capability than they require or that they have failed to implement all their requirements, due to difficulties in using the full features and facilities.

It is somewhat salutatory that only 3% of organisations feel they are using the software to its full extent. There appears to be a great deal of investment planned over the next 12 months in enterprise software, with 46% of companies anticipating enhancements and upgrades to existing ERP or standalone solutions. In addition, a quarter of organisations are looking to purchase new ERP solutions – which represents a surprisingly high level of replacement and may indicate that many systems purchased for Y2K are coming up for replacement.

Just over a fifth of companies are satisfied with their current capabilities and are not planning any further investment. But 18% are looking at third-party add-ons to existing software and a further 18% are planning bespoke development. Only 9% of companies see themselves investing in new standalone packages, showing that integrated solutions are the direction most organisations are moving in.

### Investment drivers

The reasons for the software investment reflect the normal aims of most organisations, with ‘improving efficiency and effectiveness’ mentioned by 78% of the sample and ‘producing cost savings’ cited by 55%.

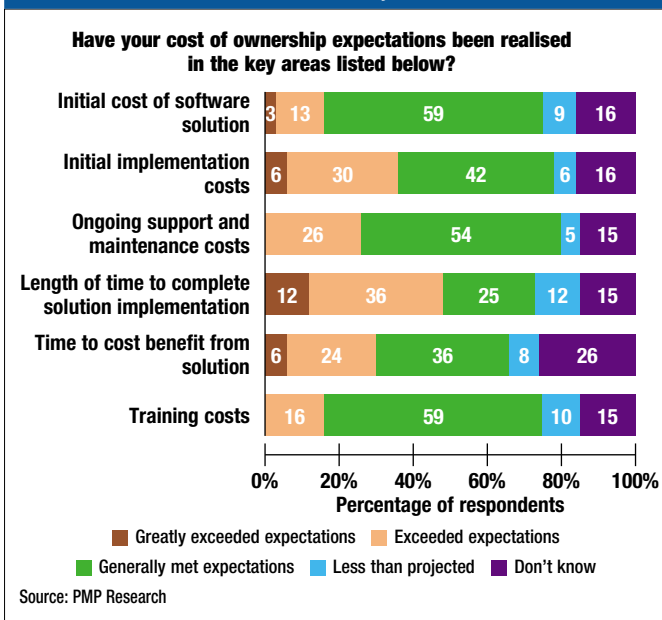
### SURVEY STATISTICS

We spoke to a broad range of companies for this year’s survey on ERP and enterprise solutions. A substantial proportion (25%) were in the manufacturing sector, which was the original base for ERP solutions, along with the engineering industry (11%), automotive (6%) and chemical & pharmaceutical (6%). But many other sectors now use integrated solutions including the public sector (15%), logistics (6%) and utilities (5%).

The respondents represent a spread of different sized companies, with 12% having a turnover in excess of £5 billion, 8% turning over £1 billion to £5 billion, and 21% in the £500 million to £1 billion range.

In the mid-range, 20% turn over between £100 million and £500 million and 13% £50 million to £100 million. At the smaller end 13% have a turnover of between £10 million and £50 million and 13% £5 million to £10 million.

FIGURE 3: Satisfaction level with ERP systems



To achieve these aims, 34% will be adding further ERP software functionality while 31% plan to extend their back-office capabilities. The development of enhanced e-business solutions is still a target for many companies, with 24% planning business-to-business and 16% business-to-consumer solutions.

When implementing enterprise applications, 54% of companies will adapt the software to match their core business processes, as against 43% who will adapt the process to match the software functionality. For non-core business processes, only 33% of organisations modify the software to match the process against 62% who will alter the process.

The cost of enterprise solutions can be high in terms of the initial software purchase, and the implementation and ongoing support costs. In most cases (59%), respondents feel that the initial purchase cost has generally met their expectations,

with only 13% exceeding and 3% greatly exceeding expectations (see Figure 3). The initial implementation costs are a bit more problematic, and exceeded expectations in 30% of cases and greatly exceeded them in a further 6%.

The real problem area is in the length of time to complete the solution implementation, with 36% of companies saying this has exceeded expectations and 12% that it has greatly exceeded the anticipated timescales. Only 25% of respondents feel the implementation has been on time, with 12% stating that it has been shorter than expected.

The implementation times have a knock-on effect on the time to cost benefit of the solution with 24% saying this has exceeded expectations and 6% that it has greatly exceeded the timescales. However, 36% have generally met cost benefit timescales and 8% say they have been shorter than expected.

For ongoing support and maintenance costs, the majority of companies (54%) feel they have met their expectations, but a substantial minority (26%) have exceeded their estimates. Training costs have been less problematic with only 16% exceeding budget and 59% meeting their targets.

## Business change

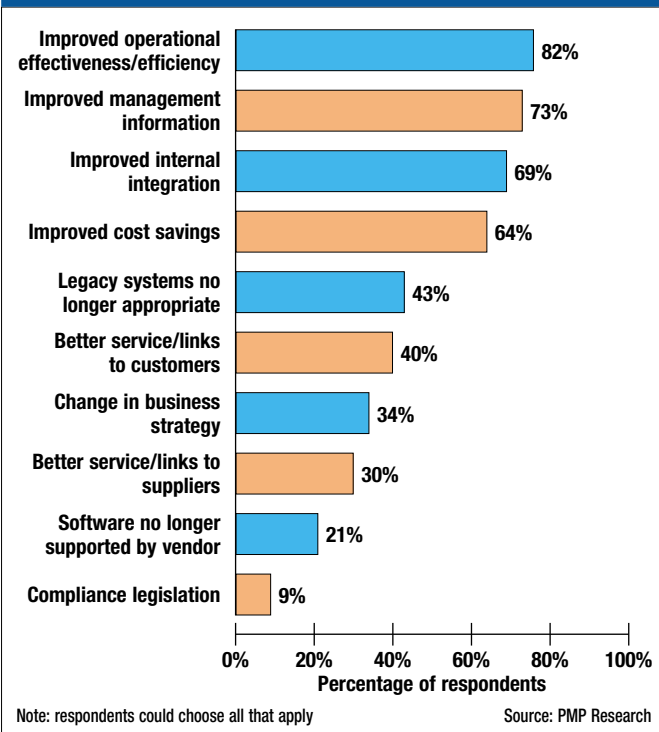
The business drivers for investment in ERP or enterprise applications can be many and varied but from the survey the two main ones are to improve the operational effectiveness and efficiency of the organisation – mentioned by 82% of respondents (see Figure 4, next page) – and to provide improved management information (73%).

Other key motivators are to provide improved internal integration (69%) and make cost savings (64%). This is followed by the need to replace legacy systems that no longer meet requirements (43%) and providing better service to customers (40%).

## Main threats

The issues that respondents highlight as the most serious threats to the success of an enterprise application initiative are many and varied. The key problems are the difficulty in defining an accurate functional specification (48%) and managing people's expectations as to what the system can deliver (48%). These are closely followed by the difficulty in mapping business processes onto the applications (46%) and being able to acquire the right skills to implement the software (45%).

FIGURE 4: Main business drivers for ERP/enterprise applications



As is quite often the case, many organisations (39%) experienced cost constraints in implementing the system, while an equal proportion had problems with ill-defined objectives or boundaries to the project. Problems in the integration interfaces to other applications have also been an issue for 31% of companies. A lack of knowledge or accurate assessment of the existing situation, making it difficult to measure results, is also mentioned by 25% of respondents.

Problems in the integration interfaces to access the necessary data are cited by 22% of companies and poor functionality in some areas of the supplied product is also an issue for 21% of respondents. Finally 21% of companies have experienced difficulties in the working relationship with their vendors, systems integrators or other third parties.

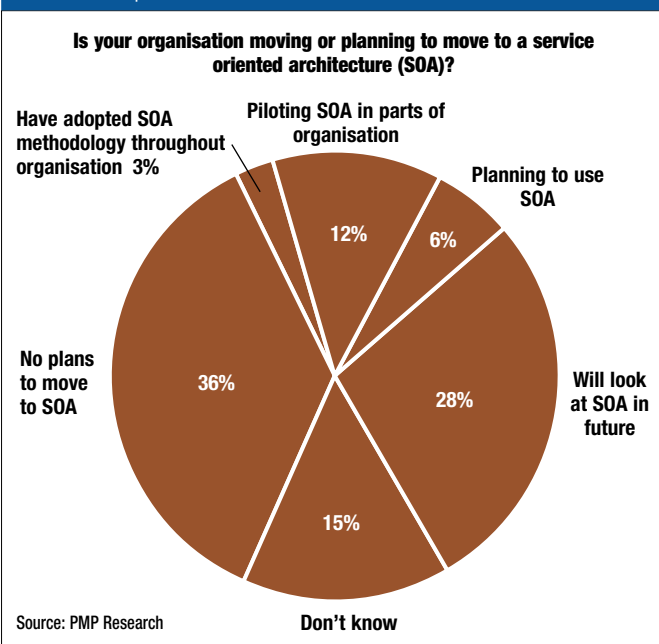
Surprisingly, given the difficulty many face in prising money out of corporate coffers without a convincing business case, organisations are split over the question of formally measuring the return on investment (ROI) from enterprise applications. While 44% do this, the larger proportion (55%) do not.

Only a small proportion of respondents (12%) now see that their enterprise systems are delivering 'information overload', which swamps managers with detail so they cannot pick out the relevant information.

In contrast, 36% of companies now provide personalised or targeted information for specific managers or business functions, and the majority (59%) say that the right information is generally available, provided managers have the ability to identify those elements that are important.

One area that most respondents (82%) agree on is that their organisation's enterprise software needs to become more agile in the future so it can respond quickly and effectively to changes in the business requirements.

FIGURE 5: Importance of SOA



A few companies (9%) feel their software environment is already well-prepared to meet changing business challenges and 5% think their systems do not need any enhancements to make them more agile.

Finally, service oriented architecture is generally seen as the way forward in creating a modern software infrastructure to provide an adaptable IT environment. However, when asked if they think an SOA approach will make for a more agile and responsive organisation, nearly half the respondents (49%) couldn't say one way or the other. On the other hand, 36% feel that it will, compared to 15% who think it will not.

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This uncertainty about the real benefits of SOA is reflected in the relatively low number of companies who are adopting this approach (see Figure 5). Only 3% are using SOA methodology throughout the organisation with 12% piloting SOA in parts of the company and 6% planning to do so in the future. The majority are adopting a wait-and-see approach, with 28% looking at SOA in the future and 36% with no plans to move in that direction.

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