

# Time To Upgrade Your 'Useless' ERP System?

Joel Hans, Managing Editor, Manufacturing.net



While enterprise resource planning (ERP) software is near-ubiquitous in manufacturing these days, with many companies large and small having invested heavily into solutions years or decades ago, there is always room for change and innovation within the offering. As the global business climate has changed, along with many companies' individual needs, so have the ERP systems that helped them run effectively. And if someone believes that they can forget about the marketplace once their implementation is finished, they're missing out.

Dominic Telaro, the director of industry solutions for I.B.I.S, Inc., stays abreast of these major categorical trends as part of his job, and he says that many of the assets that made an ERP system appealing in the past have changed completely, so much that even software a handful of years old can be woefully inadequate to current needs. And with that in mind, it's in a company's best interest to encourage flexibility on every level, so that they're never on the outside, looking in on the constant influx of ERP innovation.

Telaro says, "This may sound strange, but many companies in the past purchased systems that met a minimum requirement and then modified them to the point that they could no longer upgrade to the last releases of the package." Because of these modifications, many companies now find themselves unable to upgrade to their provider's most recent software version, which can contain everything from bug fixes to completely new features. Not being able to act on "new market paradigms," he says, keeps many manufacturers from competing as well as they could.

"The latest systems on the market have so much new functionality and technology advances that it is unfair to try to compare them to a four-year-old system," he adds.

Dominic Telaro, Director of Industry Solutions, I.B.I.S, Inc. So, what's changed in the

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world of ERP? What, exactly, are the users of those highly-customized solutions missing out on? Perhaps the biggest revolution in the space has been the increased desire, and need, for collaboration within and beyond an organization's walls. Today, companies are faced with an increasing number of potential risks, from natural disasters like earthquakes and tsunamis, to made-made interruptions: strikes, transportation breakdowns and many others.

Telaro says, "Any break in that flow will require immediate communications both within your four walls, as well (and especially) outside to existing vendors, potential new vendors and customers. Being able to use your existing system to connect all these pieces of the puzzle with automation, such as workflow or alerts portals, will simplify and expedite a solution."

New ERP systems have improved collaboration tools, and don't "silo" data within the singular system. By enabling the sharing of data, the manufacturers and its partners can get on the phone and work together in order to mitigate the damage of these events. Or, they can take it a step further by automating a number of those interactions, in which a disruption at a supplier trickles down to the plant floor via a system that can make decisions on the fly.

And these collaborations also enable deeper integration between systems — another critical feature within new versions of many major ERP systems. With manufacturers operating not only on ERP software, but also another half-dozen categories — CRM, PLM, CMMS and many others — the importance of allowing data to be shared from one database to another cannot be overstated. Telaro says that each of those systems are "useless" unless they receive and offer data to and from each other, and by making those connections, manufacturers can avoid many of the common misunderstandings between the office and the plant floor, or between one company and its suppliers.

He adds: "Integrating [these systems] and collaborating will allow for timely and accurate information sharing that will create faster turnaround for solutions and avoid mistakes due to delays and incorrect information transfer (human error)." E-commerce plays a role in all of this as well, according to Telaro. He says, "New technology allows companies to build e-commerce solutions to drive sales up and reduce order entry costs as well as expand their sales coverage footprint."

Of course, all of this means little without some deeper understanding as to how manufacturers might integrate and implement these new systems into their existing operations. In his experience, Telaro has seen countless missteps, but agrees that they tend to congregate around a number of familiar tropes. Perhaps the most damaging, in his opinion and expertise, is one company looking at a new ERP system solution and demanding, "I want what I have (now), on your system."

Telaro says that when a company makes this demand, they're asking for an ERP provider to replicate a system that was, originally, highly-modified due to the inherent lack of functionality in older versions of the same offering. He explains that if companies aren't willing to engage in some degree of business process reengineering (BPR), they are setting themselves up for failure. He says, "By BPR, I

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do not mean re-engineering, but rather re-definition. You cannot necessarily change your manufacturing equipment or distribution line but you can re-define your methods. This is possible due to all the new functionality that is available in new software solutions.”

He’s seen other avenues for failure as well, such as the issue of no real project team being assigned to the selection and roll-out of a new ERP system. And without executive sponsorship backing that team — “Lip service alone will not work,” he says — the project simply won’t get done, or won’t meet expectations. Trying to cheap out on a less effective system has also caused numerous problems, in Telaro’s experience.

There is no doubt that change, for many manufacturers, is a major concern — if systems are working, however convoluted or out-of-date, there is a resistance to investing in something new without a clear ROI calculation in favor of the investment. Telaro has seen that in many cases, “change is not something [manufacturers] appreciate if they have not reached their expected ROI.”

But what they need to understand is that the very process of change is something that can be tracked by new systems with analytics capabilities. It becomes more than pure ROI. Telaro says, “Change will be caused by upstream and downstream market pressure as well as internally by engineering. Manufacturers need to learn to use these management tools and execute with them, not just use them to review past performance.”

The future of ERP in manufacturing, and software solutions in general, is the deepening of collaboration and integration, a process that will lead to numerous benefits across the board. Information will be able to be disseminated between internal and external systems with the push of a single button. Having a constantly-updating, single source of information will help companies and partners avoid misunderstandings or business decisions based on stale data. Telaro says that all the software systems manufacturers rely upon today are “useless” unless their information is available to all the others.

And if a manufacturer is on a system that is incapable of making these kinds of connections, or is holding off on upgrading because they want a direct translation of their current system, or needs a clearer ROI picture, it might be time to consider that, in many cases, it’s simply impossible to fully comprehend the benefits of a change until it’s already said and done. As Telaro says, comparing against past performance is only part of the problem. With the sector innovating rapidly, one needs to take into account the possible changes that can’t quite be perceived as of yet. Just don’t try to find a system that looks exactly like the old guard — it’s old and outdated, for good reason.

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