



Processes first

Knowing the current state of business processes before installing an ERP system, may prove the ERP to be one of the wisest decisions you ever make, therefore the intended aim of this paper is to encourage companies to know and understand available processes very well in order to benefit from ERP.

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Preface

¹The first time the term Enterprise resource planning (ERP) was used was in the 1990s by leading research and advisory company, Gartner, which referred to it as a category of business management software, typically a suite of integrated applications that an organization can use to collect, store, manage, and interpret data from many business activities.

²In 2018, Gartner announced that the size of the ERP market had reached **\$35** billion with an annual growth of **10%**. ³Meanwhile, it is anticipated to keep growing and to reach **\$78** billion by 2026. However, although these numbers appear to show ERP as a successful IT project, in fact that is not the case. Unfortunately, ⁴Gartner research has found out that globally, from **55%** to **75%** of all ERP projects fail.

⁵Meanwhile, Panorama Consulting Group, which is essentially a consulting firm specializing in business transformation and the ERP system, has found that **72%** of ERP projects potentially take a long time, cost more than expected, or fail to deliver at

least half of the expected business benefits.



The very definition of “failure” is ambiguous and might vary from one company to another, but ultimately it indicates that a project has not achieved its desired objectives and, conversely, has become a nightmare for so many.

Undoubtedly, there are numerous reasons that can cause failure such as absence of effective IT infrastructure and project management. However, it is our belief that the main cause is the lack of process thinking as clarified in the coming pages.

Processes are the baseline

While there are several existing companies providing effective ERP solutions, SAP and Oracle are consistently recognized as the Leading companies in this field; therefore, let us see how these companies define ERP:

SAP: ⁶*a kind of software system that helps you run your entire business, including processes, in finance, manufacturing, supply chain, services, procurement, and more.*

The above definition mainly relies on two components: running the entire business (clarified on the next page), and processes. Therefore, we can say that SAP defines the ERP system as a software program that helps organizations to manage business through identifying and integrating all the needed processes.

Oracle: ⁷*a type of software that organizations use to manage day-to-day business activities. ERP systems tie together a multitude of business processes and enable the flow of data between them.*

The definition by Oracle also relies on two components with the first one being the daily management of

business which reflects the entire business as also mentioned by SAP. The second one, however, sounds more straightforward as it is signified as the integration of business processes. To clarify, Oracle has defined ERP as a system that enables an organization to manage its daily activities through integrating essential business processes.



Accordingly, we can recognize from the previous definitions that the baseline of the ERP system is the business processes, and that this program combines the business processes to support an overall improved performance.

Processes run the business

⁸Organization, as stated in the Cambridge dictionary, means a group of people who work together in an organized way for a shared purpose.

It can be understood from the above definition that it takes more than just the presence of people to achieve the purpose of an organization. Ultimately, an organization is realized when these people work together. This then leads us to consider how people can work together efficiently in an organization to fulfil the stated goal of a shared purpose. In fact, there is only one answer for this, as follows:

[People work together efficiently through processes.](#)

To clarify, we can endeavor to figure out what would drive a salesperson working in a company store to interact with another staff member working in the manufacturing department located in the company headquarters. Of course, the most obvious response would be that such organized interaction is deemed essential when the salesperson wishes to meet the requests of clients by involving other members of the wider company team through processes.

The significant naming of such organized interaction as processes might not be clear for some since a process is predominantly seen as a set of documents that must exist in order to satisfy regulations or to govern the work of employees. Therefore, for explanatory purposes, our readers are advised to check our previous article called [Process Miracles](#) for more details.



Overall, we recognize from the previous information that neither the existence of people without interaction nor the existence of given technology only is sufficient to run a business. The most essential requirement to run a business is actually the use of business processes executed by people with or without the aid of technology.

Just a software

On their website, SAP details the ERP definition as the following:

⁶*The simplest way to define ERP is to think about all the core processes needed to run a company. At its most basic level, ERP integrates these processes into a single system.*

In fact, SAP company could be considered extremely smart while defining ERP, because they clearly mention the value proposition of the ERP solution. To clarify, SAP acknowledges the needs of ERP customers by stating that the scheme helps in the running of an entire business. This, incidentally, is the main value that the ERP-concerned customer is willing to pay for.

Now the most important matter for consideration is how ERP can deliver such promising value. Clearly, the answer is by integrating all the core processes into a single system as mentioned by SAP when defining ERP. However, the question remains whether employees would be motivated enough to follow the ERP system for it to be successful. Indeed, a further concern is in how to persuade managers of various

departments that certain systems are beneficial for the entire company. Undoubtedly, the response from managers and employees towards adopting an unfamiliar system is likely to be overwhelmingly negative initially.

Currently, this negativity is the situation in most larger companies. Thus, it explains why it is common to find employees attempting to overcome this through workarounds of their daily operations in order to satisfy overall business requirements.

Therefore, it is becoming increasingly important that business leaders know and understand the great success that other companies have achieved through the ERP system. Ideally, it should be demonstrated that such accomplishments have occurred by integrating the processes they execute on a daily basis. It can be illustrated that, although this kind of integration can happen without a system in place, such an effective scheme can facilitate the necessary demands of work by speeding the process and consolidating the whole data into one place.

Workaround or imitating others

While working with a semi-government company with a sophisticated ERP already in place, we were surprised by the results of a survey that we launched before starting the project. These are as follows:

- *46% of respondents indicate that most daily issues are hands-off issues*
- *40% of respondents indicate that most issues occur because the system is not aligned with their requirements.*

The above figures indicate the lack of integration inside this company, which in turn increases the percentage of workarounds on daily operations.

Additionally, we asked another question to check the desire of employees to support the project that we were in the process of launching. The response is shown as follows:

- *97% of respondents urgently need to undergo a processes project in order to facilitate departmental interactions*

Therefore, the question is why is there no integration inside the aforementioned company despite the existence of ERP? The answer is that, in this case, ERP is built on processes that are not aligned with the company's processes, which, subsequently, increases the customization percentage required for that ERP, which is, in itself, another story. Alternatively, an ineffective ERP system could potentially increase the workaround percentage on daily operations.

Therefore, business leaders need to understand that ERP vendors are essentially developing the processes of this system based on earlier successfully implemented projects. Furthermore, this ongoing work is based on the best globally-recognized practices in the industry. Hence, purchasing an ERP program means bringing new processes to the company which may or may not align with company processes. Moreover, if the processes align with each other, it suggests that imitation of the work of others is involved which could possibly mean that intended goals are not achieved.

Conclusion

This paper does not dispute the value of technology; on the contrary, there is no doubt that it has improved every aspect of our lives. Similarly, the purpose of this paper is not to minimize the value of the ERP system and the benefits that organizations can obtain from ERP.

The intended aim of this paper is to encourage companies to know and understand available processes very well in order to choose the most suitable ones. Certainly, such knowledge should be acquired before investing money in an ERP system. This would enable a firm to avoid ending up with too much customization that needs to be undertaken in order for the said company to benefit from ERP.

On a final note, based on the experience of HOLTZ, lack of such essential knowledge amounts to one of the most expensive aspects of ERP implementation. Thus, our advice is to consider, learn and understand before you install an ERP system. Doing these three things before implementation may prove to be one of the wisest decisions you ever make.

References

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4. [ERP failures](#)
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Thank You



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