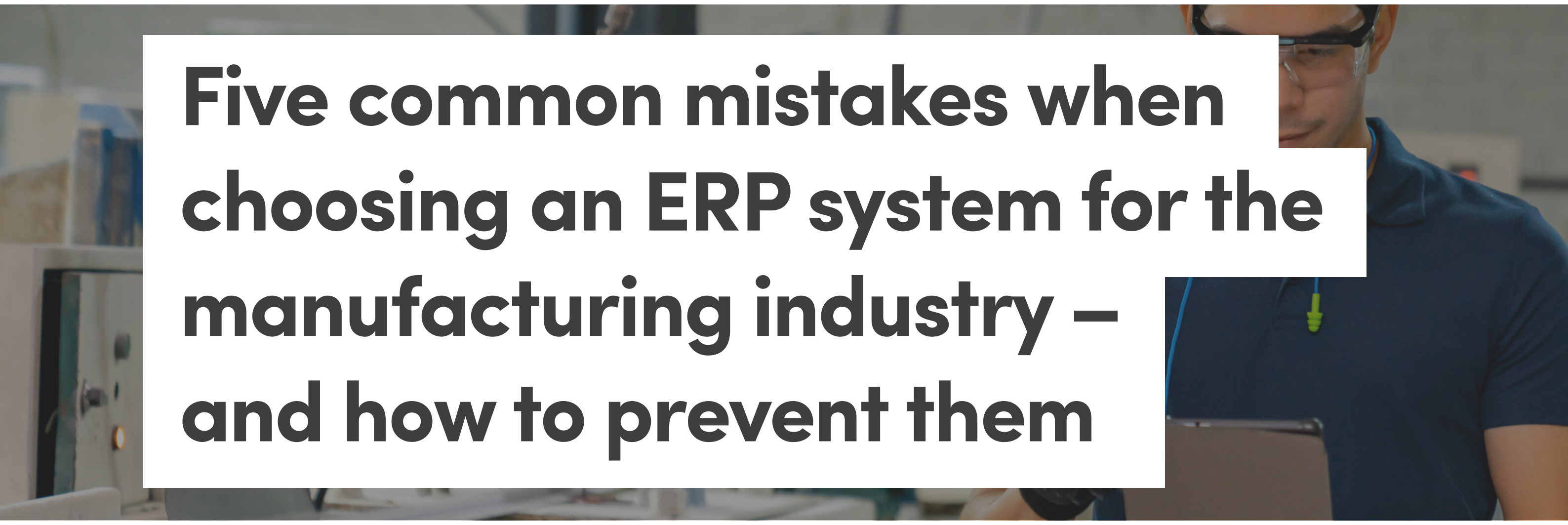
WHITEPAPER



Five common mistakes when choosing an ERP system for the manufacturing industry – and how to prevent them

Choosing new Enterprise Resource Planning (ERP) software is a big decision for manufacturers, and one that comes with questions and concerns.

Imagine you are responsible for hiring a key employee who manages the integration of all business functions, improves collaboration between departments, centralises business data, and guarantees data accuracy.

This person must provide smart insights for better decision-making and innovate business processes to achieve maximum productivity and efficiency.

Choosing the right ERP system has the same impact as a key hire. It allows everyone to work smarter, more efficiently, and more productively, as well as giving you the tools for data-driven decision-making, which is essential in today's competitive market. From procurement to production and from sales to service, the right ERP solution can transform your entire business operation.

If you go through the selection process carefully, you lay the foundation for short-term growth and long-term success. This process needs full attention and involvement of your key decision-makers.

In this guide, we discuss five common mistakes when selecting an ERP, and how to avoid them:

1. Failing to set clear business objectives and failing to link them to the benefits of ERP systems.
2. Lack of insight into the specific requirements of your company.
3. Ignoring or under-estimating the importance of user experience.
4. Drawing up an unrealistic budget.
5. Overlooking support from your vendor.

This guide offers practical tips and insights to choose an ERP solution that delivers maximum return. Not only during current economic challenges, but also in the future.

What's happening in the manufacturing industry

The UK manufacturing industry is home to 5.5 million small and medium sized enterprises (SMEs), according to figures compiled by The Manufacturer. Analysis of the top performing manufacturers by consultancy firm Grant Thornton reveals that nearly a third (32%) operate in the industrial products segment, while 17% are in metals processing and fabrication. A further 11% are in materials and chemicals, while 11% are in industrial equipment.

Why goals are important

Clear goals ensure that you make the best strategic investments for your business. Here are a few more interesting facts to show you how an ERP could support your business:

Research shows that investing in an ERP system yields an average return on investment (ROI) of around 52 percent within two years. Around 66 percent of organisations have increased efficiency thanks to their ERP systems. This is only possible with defined and agreed goals.

Top 5 benefits of modern ERP software

The benefits of a well-chosen ERP solution are clear:

- **More than one in three** companies cite increased efficiency as the main reason to implement ERP.
- **A quarter** sees improvements in timely deliveries.
- **Half** can respond better to customer needs thanks to an ERP.
- **Three-quarters** report improvements in processes throughout the organisation.
- **Four out of five** companies believe that an ERP system stimulates innovation.

Mistake 1. Failing to set clear objectives

In this first phase, start by assembling a team and discuss your business' needs:

1. Automate routine tasks and get the most out of your staff. ERP systems can help reduce manual errors and inefficiencies.
2. Improve customer experience with better order management and faster delivery times
3. Easily monitor compliance activities and minimise risks and fines.
4. Bring products to market faster and stay one step ahead of the competition.

Mistake 2. Lack of insight into the specific requirements of your company.

After you have established your objectives, the next step is a thorough analysis of what your business needs.

1. Industry-specific functionality

Determine which functions are specific to your industry. Consider the following:

- Personnel planning tools.
- Advanced inventory and delivery management.
- Features for managing recalls.

It is also useful to research competitors if you can find the information online: which systems do they use and why? This can help identify standard features in your industry.

Next, discuss with suppliers how they offer features that can give your company a competitive advantage. Draw up a priority list and categorise features as essential, desirable, or unimportant.

2. Adaptability and customisation

Some ERP systems offer modules and add-ons for specific requirements, while other solutions are fully customisable. Talk to vendors to discover how flexible their systems are and how well they meet your needs.

3. Scalability and flexibility

Choose an ERP system that grows with your business and adapts to new technologies. This makes your organisation future-proof.

4. Mobility and Industry 4.0

Consider whether you need an ERP that supports remote employees or is compatible with mobile devices. Additionally, you must assess whether you are ready for technologies such as artificial intelligence (AI) and the Internet of Things (IoT).

5. Cloud-based versus on-site

Cloud-based ERP systems are popular due to their scalability, security, and lower long-term costs. However, on-site solutions may be preferred if you want more control over your IT infrastructure.

Top 5 selection criteria for ERP systems in the manufacturing industry

When choosing an ERP system, it is important to keep these criteria in mind:

1. **Business needs:** How well does the system align with your processes and goals?
2. **Scalability:** Can the system grow with your business?
3. **Integration options:** How well does it integrate with existing systems?
4. **User experience:** Is it intuitive and easy to use?
5. **Reputation and support of the supplier:** Does the supplier offer the right expertise and support?

Mistake 3. Ignoring or under-estimating the importance of user experience.

Even a system with the best technical specifications can fail if users do not understand or use it. That's why an intuitive interface and good functionality are essential.

A system that is difficult to use can lead to frustration and inefficiency. So make sure that employees are involved in the selection process from the start.

Practical tips

- **Request proof versions:** Test the system with key figures and ask for their feedback.
- **Involve end users:** Ensure that employees have a say in the final choice.
- **Train thoroughly:** Invest in training and manuals so that everyone understands the system well.

Mistake 4. Setting an unrealistic budget

Another common mistake is underestimating the costs of an ERP system. Although cloud systems often have lower initial costs, there are also costs for implementation, training, and maintenance.

How do you draw up a realistic budget?

1. **Create a cost overview:** Include everything, from licensing costs to consultancy.
2. **Consider hidden costs:** Consider data migration and modifications to existing systems.
3. **Reserve a buffer:** Take unexpected expenses into account.

Mistake 5. Overlooking support from your vendor

A trusted partner will help to ensure a smooth implementation and long-term success. Choose one who has experience in your industry and offers extensive support.

What should you expect from a supplier?

- **Fast response times:** Make sure you know how much support you can potentially receive.
- **Regular updates:** Ensure that the system remains future-proof.
- **Good training:** Choose a supplier that offers extensive training and manuals.

Did you know?

- **Manufacturers** are the top users of ERP systems.
- **53% of organisations** are currently upgrading their ERP solution to remain competitive.
- Companies that **implement an ERP system** often report a significant improvement in efficiency, with some reports showing a time **saving of more than 30%.**
- Innovation is stimulated by ERP: **79% of the organisations** indicate that their ERP has helped them respond more quickly to changing market conditions.

Choosing a new ERP system is a strategic investment. By setting clear goals, analysing your business requirements, and paying attention to user-friendliness, budget, and support, you can make the right choice.

With a careful selection process, you can implement an ERP solution that not only optimises your current processes but also lays a strong foundation for future growth.

Do you have any questions about the issues covered in this guide? Get in touch with us today.

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