

THE CASE FOR AND AGAINST USING MULTIPLE ERP SYSTEMS ACROSS YOUR ORGANIZATION

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When most people think of ERP systems, they think of a single system. The common thinking behind enterprise software is that executives are generally looking for a single solution to integrate their entire business operations, processes and technologies. They want their entire employee base on a single system, a single source of truth for customer and financial information, and a seamlessly integrated technology to bring the organization together. Most organizations don't explore options from SAP, Oracle or Microsoft Dynamics with the intent of deploying multiple systems – they instead look to these large solutions to consolidate their systems.

The reality, however, is that a single system isn't always the most pragmatic way to address an organization's business, technological and organizational needs. Businesses are becoming more complex, are evolving more quickly than ever, and are working hard to carve out unique niches to differentiate themselves from competitors. These competing priorities are often not conducive to a single ERP system from a single ERP vendor. In addition, best-of-breed solutions provide systems that are built with the depth to address one specific functional area, delivering potentially stronger functionality in that area than a single ERP system that addresses the breadth of an entire organization. In these cases, a best-of-breed enterprise software solution may make more sense. There are a number of solutions that fit this category: Salesforce for CRM, Workday for HR, Plex Systems for manufacturing, and Kinaxis for Supply Chain Management are just a few common examples of best-of-breed ERP systems.

The problem here is that opening the door to a potential best-of-breed solution can be like opening a can of worms. There are already nearly 200 ERP software solutions in the marketplace, but when you throw potential point solutions into the mix – such as CRM software, HR systems, or accounting software – the number of options and combinations grows exponentially. Organizations without much experience selecting and implementing ERP solutions find it difficult enough to find and implement the right ERP software as it is, but these inherent challenges are magnified when considering a best-of-breed solution.

So how is a CFO or CIO to make sense of the plethora of variables to consider when evaluating a single ERP system versus a best of breed option? Below are five things to consider as part of an ERP selection and implementation:

1. Business requirements are especially important with best-of-breed ERP systems. While it's true that business process and requirements definition is important for any ERP selection process, it is especially true for multi-system initiatives. Before becoming overwhelmed with all of the available options for your functional point solutions for your CRM, HR, manufacturing and

accounting systems, you will want to clearly define your business processes, pain points and requirements. This is important for two reasons: first, it will help you define what criteria will be most important to selecting the right software solutions, and second, it will help better define the scope of what systems you are looking for.

2. Understand your competitive advantages versus your non-differentiators. The difference between single system and best-of-breed ERP software often comes down to competitive advantages and differentiators. When working with clients that are not well-suited for a single system solution, we often help them determine their competitive advantages so that they can better define what to house in their “core” ERP system versus their outlying best-of-breed systems. One of the key benefits of taking a best-of-breed approach is that organizations can benefit from a solution that was designed with depth in a specific functional area, providing potentially strong functionality than a single ERP system that is trying to address the breadth of an entire organization. For example, when working with aerospace and defense companies, most accounting and HR processes and functions might be considered non-differentiators, while engineering and product configuration might be viewed as competitive differentiators. In this example, HR and accounting functions might be more feasible to house in the core ERP system, while engineering and product configuration might be more effective with a best of breed solution.

3. Business process and technological integration is crucial. When exploring best-of-breed solutions, it puts more pressure on your internal IT group to manage the technical complexity of integrating multiple systems with potentially disparate data standards integration tools. In addition, functionality and system user interfaces can be materially different between the various systems, creating even more of a need to ensure smooth and integrated business processes. This requires better organizational change management and business process clarity to ensure processes and people are aligned with the systems, along with adequate time for integration, testing, and data conversion to ensure that the systems function well together before go-live.

4. Trade-off between user acceptance and technical complexity. Another variable that comes into play is the balance between user acceptance and technical complexity. A single ERP system is often less technically complex in that it doesn't require a great deal of integration or disparate data structures. However, the fact that best-of-breed solutions often provide more powerful capabilities within their functional areas of focus can increase user acceptance and make it easier for end-users to learn. In either case, an effective organizational change management and training program is critical to your project's success, but this need can be amplified in a single ERP system environment.

5. Your longer-term ERP software strategy. In today's economic climate with strained IT budgets, it is not uncommon for organizations to choose point solutions that will give them the most immediate return on investment rather than committing to a full-blow ERP implementation. However, it is important not to make this decision in a vacuum without first understanding your longer-term enterprise software strategy. For example, we recently worked with a large manufacturing company that couldn't commit resources to a full ERP system, but they knew they could get an immediate ROI from a more robust CRM system such as Salesforce or Sage CRM. We encouraged them to define their overall enterprise-wide ERP requirements so they at least knew where they were headed in the long-term before making the shorter-term decision. This recommendation helped ensure that they didn't back themselves into a corner later on when they chose to address their other ERP software needs.

At the end of the day, either route involves a tradeoff. If you choose a single ERP system, you are usually giving up some best-of-breed functionality or depth in exchange for a more tightly integrated system that can be easier and more cost effective to manage. If you go the best-of-breed route, you are giving up this tight integration for more depth and capabilities within specific functions. As with most decisions related to ERP systems, there is no single one-size-fits-all answer – instead, it depends on the specific business needs, priorities, competencies and risk tolerance of your organization.