

F R O S T & S U L L I V A N

ERP Myths & Truths

Dispelling Misconceptions About Enterprise
Resource Planning Systems

August 2022



INTRODUCTION

Advancements in ERP systems have increased the adoption of the software in organisations across a range of industries.

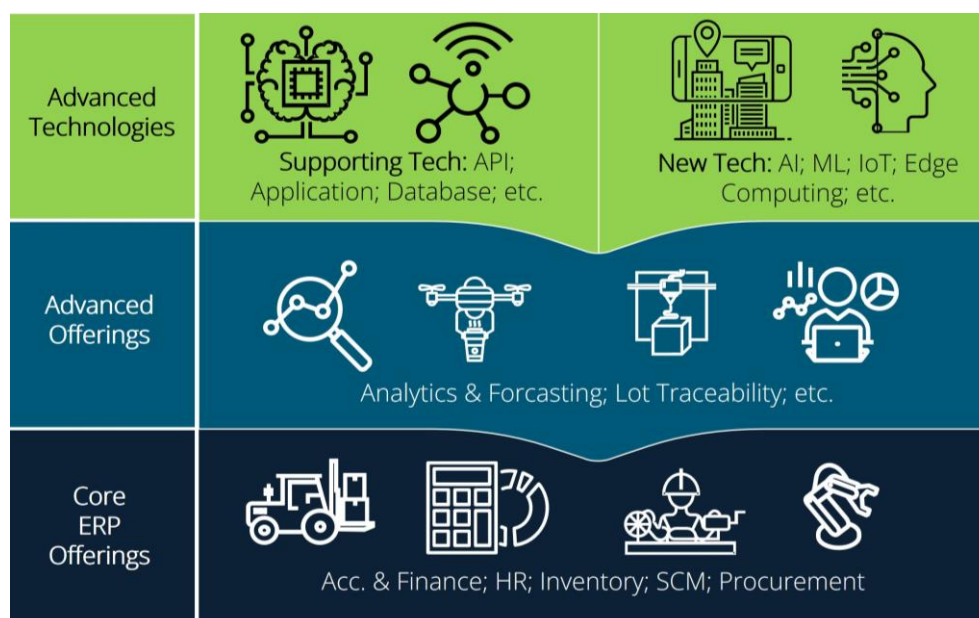
Collaboration, efficiency and flexibility are attributes which have shifted from 'desired' to 'crucial' in our post-pandemic world. Adopting business processes and digital tools to limit disruption has dominated executive agendas, with the recent events revealing just how fragile our systems are to supply chain shocks.

Defined as an end-to-end business tool organisations use to centralise and manage business processes, Enterprise Resource Planning (ERP) software has seen widespread adoption across a range of non-traditional industries and market segments over the past decade. Originally designed to manage quality and inventory in large manufacturing enterprises, ERP systems have transformed to support a much wider range of organisations. Today, anything from financial services to distribution businesses, and small start-ups to large multi-national corporations, can both afford and derive significant value from ERP systems.

The adoption of ERP systems was already increasing at a rapid rate leading up to the pandemic in 2020. However, the Covid-induced challenges sparked an interest in, and demand for increased transparency, accountability and resilience, which are all core elements of the typical ERP value proposition.

In addition to these 'core offerings' focused on internal operations and information requirements, ERP systems are increasingly being utilised for a range of 'advanced offerings' which are often externally focused. These could include compliance-related processes, customer analytics, and even attracting financing based on its ability to address certain funder requirements. This linking of back-office and front-office functions has led to a repositioning of ERP systems within organisations and a further broadening of application industries.

Taxonomy of enterprise resource planning systems



These advanced offerings are now linked into a range of advanced technologies. Insight from an interview with an ERP specialist reveals that [since 2016 ERP systems have seen widespread adoption of cloud services, mobile services, network access and interconnectivity between devices](#)⁽¹⁾. This has not only reduced entry barriers and incremental costs, but it has enabled ERP systems to integrate a whole new range of IoT (Internet of Things) and IIoT (Industrial Internet of Things) devices. This transition will lay the foundation for more 'advanced technologies' to be utilised efficiently and effectively in the years to come, by harvesting data for these advanced applications across various parts of the organisation, from HR to manufacturing.

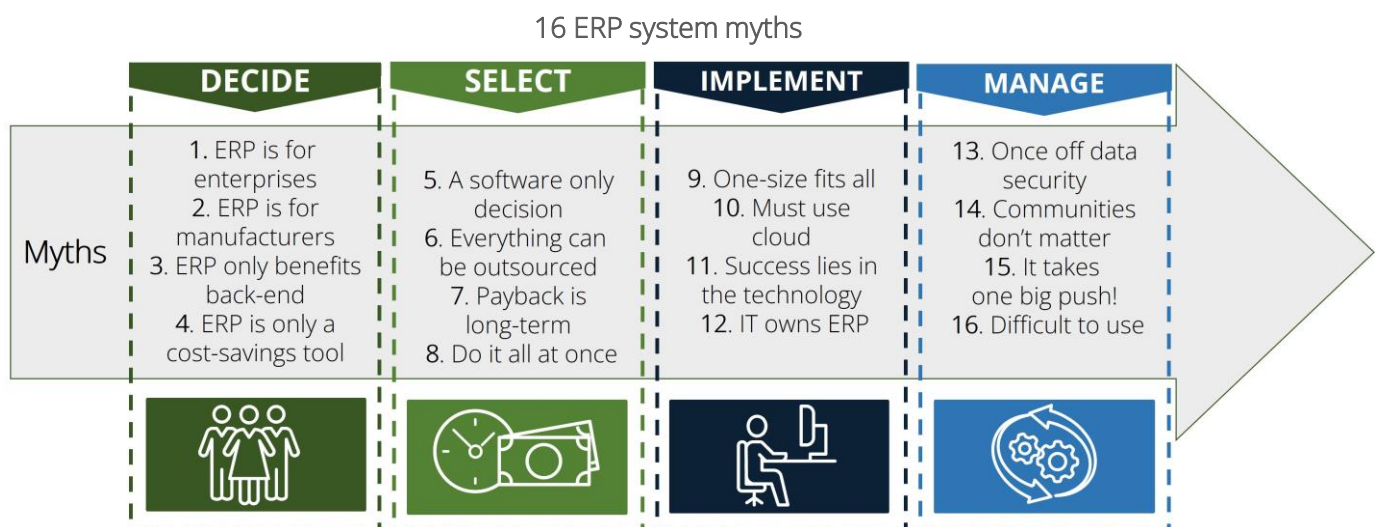
MYTHS & TRUTHS OF ERPS

The advances in ERPs have resulted in several myths about the use and value of the systems.

To maximise the benefits of any ERP system, it is crucial to have the right expectations. The fast-paced development of ERP systems in recent years has resulted in several misperceptions or 'myths' developing about their relevance, management and value. This paper therefore aims to address some of the common myths, to support decision-makers through the ERP lifecycle.

management of the system. Whether you are considering buying your first ERP system, switching providers, or looking to maximise your existing investment, this paper aims to provide constructive input into the process and dispel any misconceptions about ERP systems.

We will cover **16 myths** across the four lifecycle phases of ERP systems - from deciding to adopt an ERP system, its selection process, implementation, and ultimately the ongoing



"Today, it is difficult to imagine a business without an Enterprise Resource Planning system, with the abbreviation "ERP" firmly integrated into more and more organisations' vocabulary. However, the software does not always equal success, and organisations must review their business and be open to change before implementation begins. Adoption and implementation can have a wide range of outcomes, which is why there are many misconceptions, truths and myths around this business software."

— Mark Wilson, Chief Executive Officer, [SYSPRO EMEA](#)

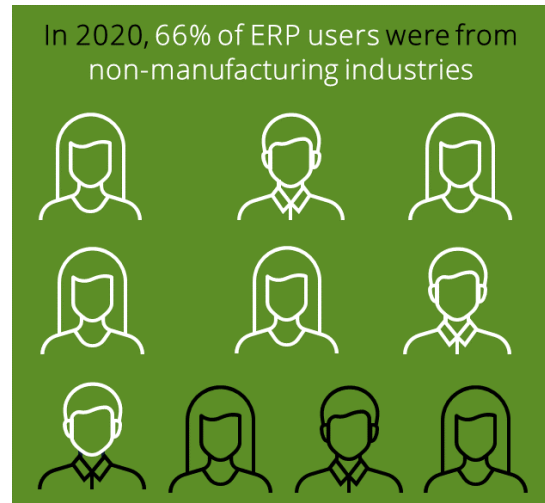
DECISION-MAKING MYTHS



Increased functionality, greater ease of implementation and reduced cost, have led to a broader adoption of ERPs.

Myth 1: ERP is for enterprises

Traditionally, smaller firms struggled to adopt ERP systems due to their high costs and complexity, which led to a challenging and expensive implementation process often involving large teams of external consultants. Historically, implementation cycles were 24 months long. Reduction in complexity nowadays has dropped the cycle to 3 months⁽¹⁾. These shifts have reduced the cost of ERP, and small to medium-sized organisations are attracted to the software to help centralise, automate and streamline business processes. As a result, a business of 5 employees can track revenues and costs through the ERP system and make data-driven decisions to improve profitability⁽²⁾.



Myth 2: ERP is for manufacturers only

ERP systems are still relevant to the manufacturing industry. But as the cost and complexity of ERPs dropped, the adoption by organisations outside the manufacturing sector also increased. Businesses across non-traditional sectors⁽³⁾ such as finance, distribution,

retail, education and healthcare are using ERP solutions; such as HR, Finance and Supply Chain Management; to reap benefits, resulting in 66% of the businesses currently using ERP software being non-manufacturing industries⁽³⁾. This has led to ERPs evolving into new functionalities and cloud options for manufacturing and distribution organisations.

Myth 3: ERP only benefits back-end

Organisations not only benefit from implementing ERP to streamline their back-end business processes, but it can improve the time products reach the customer and improve the overall customer experience⁽⁴⁾. Customers get their orders on time and intact, meaning that companies with an ERP system could be a preferred supplier due to efficient services and products. The system can help a business understand the customer better than their competition, and craft powerful and differentiated customer experiences along with building a customer-centric culture, which are the three pillars of successful front-facing customer campaigns⁽⁵⁾.

How ERP can improve customer experience



Myth 4: ERP is only a cost-savings tool

Experts stress that effectively using an ERP system can increase profit margins and attract venture capital⁽¹⁾ as some investors prefer the structured business processes an ERP provides.

The system provides investors with an overview of the organisation's financials and operations, clarity on forecasting assumptions, real-time end-to-end visibility of operations, etc.

SELECTION PROCESS MYTHS



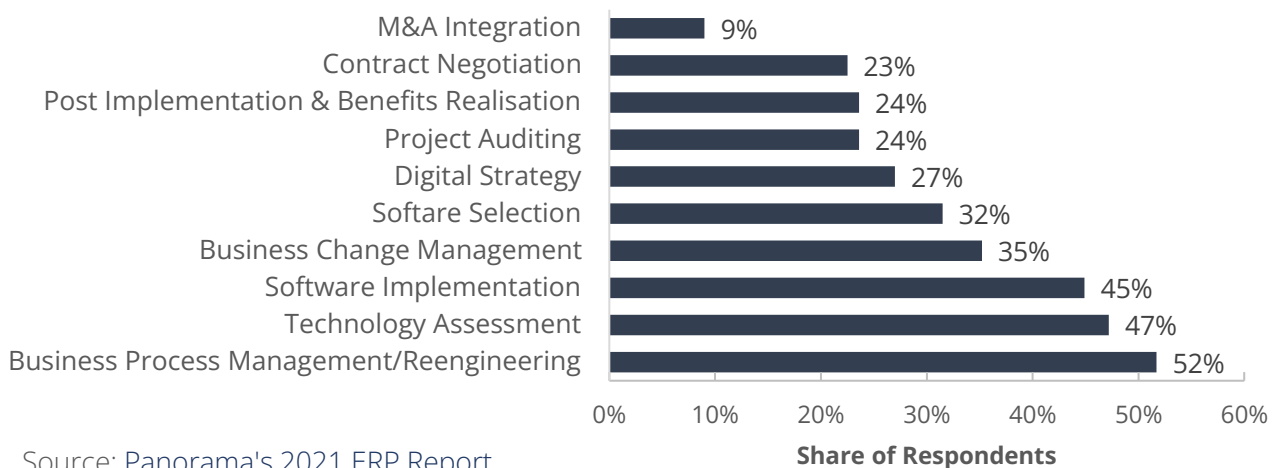
Selecting an ERP software and partner which align with your organisation's longer-term objectives is key for success.

Myth 5: A software-only decision

There is a tendency to think that the job is done after the ERP software has been selected. However, having the right software, a suitable ERP service provider **and** a strategy, are **all** essential elements for the long-term success of the investment. Although it is crucial to select an ERP system which suits your long-term needs, selecting a vendor or partner that suits your organisation's needs is also a fundamental element to the overall success of your ERP system. Guidance to find the most suitable provider often comes from engaging a third-party expert who can help develop a thorough

selection process and digital strategy. The ERP consultant can help organisations evaluate multiple ERP providers over a reasonable period, to help find the vendor that meets the organisation's needs. Along with this, having a sound, long-term digital strategy is important in getting the best, long-term value from ERPs. A good ERP implementation will not fix a bad digital (or operational) strategy because businesses don't focus on strategy. This is evident with business process management and/or process reengineering being the most guidance organisations seek from ERP consultants⁽⁶⁾.

Use of consultants for ERP guidance; 2021



Source: [Panorama's 2021 ERP Report](#)

Myth 6: Everything can be outsourced

Typically, organisations choose to use ERP consultants to try to outsource the majority of the ERP work, but this thinking is flawed⁽⁷⁾ as adopting ERP is ideally an internal and external effort. The business needs to allocate an internal ERP project manager and team to ask the staff

who would use the new ERP system what expectations and they would like the system to meet. This not only allows the users to feel heard and be more accepting of the change, but also equips the external consultants with a list of requirements to match the organisation with the right ERP provider.

"After selecting the right software, businesses need to have a paid evaluation process with a software-specific consultant. This person will guide them in evaluating three to four providers over a period of least three months to ensure unbiased professional guidance on selecting the service provider that will match the organisation's needs."

– Jennifer Harris, CEO, [Technology Management Concepts](#)

SELECTION PROCESS MYTHS

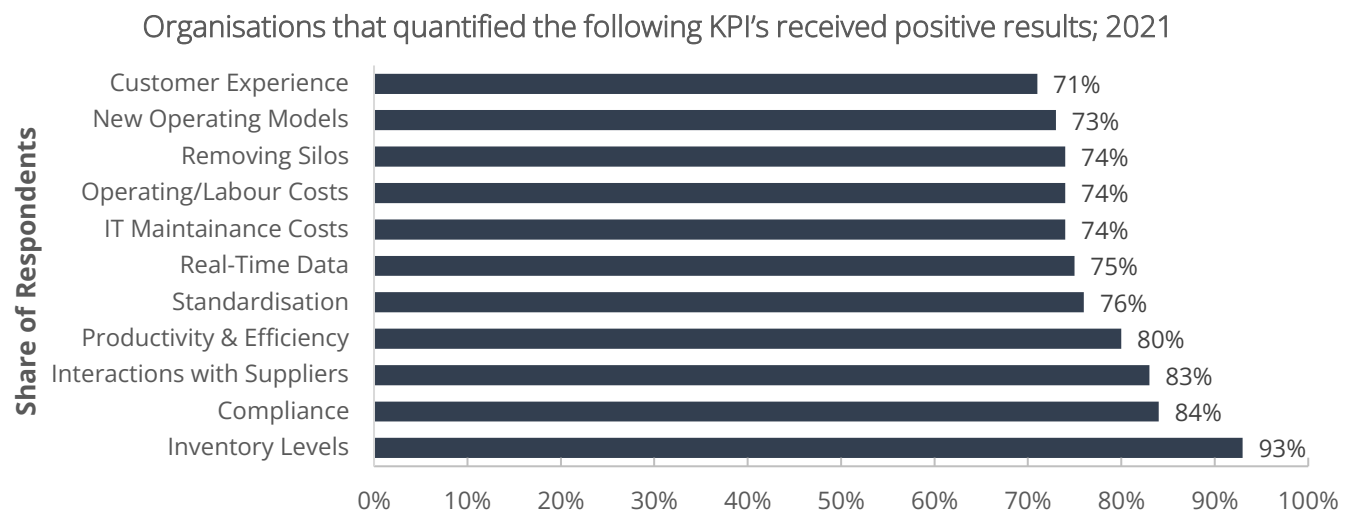


To ensure good ROI in the short term, only modules critical to operations should be implemented from the start.

Myth 7: Payback is long-term

The cost of owning an ERP system is approximately 3-5%⁽⁸⁾ of annual revenue for organisations. It is therefore critical to view an ERP system as a business investment instead of an expense. It is important to set realistic Return on Investment (ROI) targets for the investment before the system is adopted. These targets should align with the organisation's overall operational and digital strategies. Research shows that after investing in an ERP system businesses on average experience a 16-month payback period⁽⁹⁾.

81% of organisations that performed an ROI analysis before adopting their ERP systems, said that their project has met their ROI expectations after 1 year. The graph below shows that the ERP implementation made a positive impact on most of the key performance indicators. The graph also reveals that amongst the businesses that quantified benefits in the stated categories, at least 70% realised those benefits.



Source: [Panorama's 2022 ERP Report](#)

Myth 8: Do it all at once

Excitement could set in once business decision-makers realise the benefits they can gain from using ERP, leading them to consider modelling all business processes onto their new system. This could increase the risk of implementation failure⁽¹⁰⁾ as it pushes up the cost and implementation complexity of the system.

Organisations should select core processes to model first, and add more complex modules to the system over time. Various ERP vendors offer core ERP modules with the option to scale-up with the organisation as it grows. It is critical however, to understand the cost implications of expanding the functionality of the system over time at the start of the engagement.

"Do not do it all at once. Understand what outcomes your organisation needs and evaluate your internal skills and infrastructure. Then join ERP software communities to scout and verify potential vendors. Then implement essential ERP modules one step at a time."

— Anya Ciecierski, Co-Founder, [ERPSoftwareBlog.com](#)

IMPLEMENTATION MYTHS



Customise ERP to suit your organisation's needs and the cloud may not be for you.

Myth 9: One-size fits all

ERP systems are highly customisable software to ensure adaptability to the unique business processes of each organisation. For this very reason, the standard version of the ERP software more often than not requires significant customisation⁽⁶⁾, causing unintended delays in implementation. However, over customisation can reduce the effectivity and truncate the functionality of the ERP.

"ERP is truly end-to-end as it touches every part of the business. However, implementation and change are scary for employees, hence everyone needs to be included in the process of designing your system - ask the users what they expect to gain from the new system. This ensures that everyone is heard, which will help employees build a sense of ownership, a desire for the system to work and faster adoption of ERP into the organisation."

– Jennifer Harris, CEO, [Technology Management Concepts](#)

Myth 10: Must use cloud

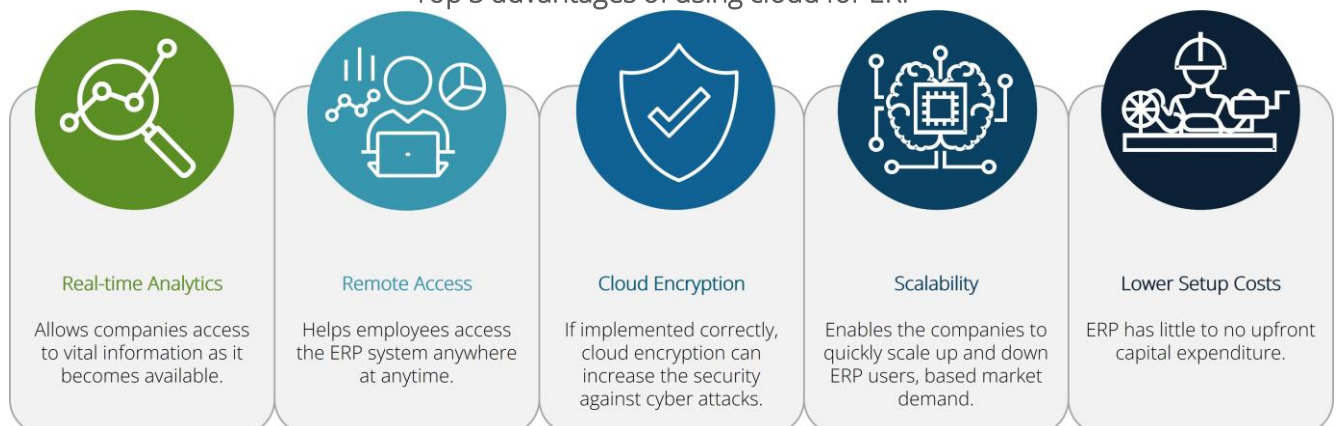
Cloud ERP solutions are very attractive options due to their flexibility, ease of deployment, scalability, absence of up-front capital expenditure costs, etc. However, this does not mean that every organisation **must** migrate or implement a cloud ERP. A very significant proportion of organisations (especially in manufacturing) still operate very effectively with a hosted or hybrid solution.

Accessing servers via on-site servers can be beneficial in certain cases⁽¹¹⁾ when companies are for example, located in countries with high bandwidth costs. Then investment into upgrading existing infrastructure could focus on the complexity of the business processes in the system.

"Whilst the rest of the world is trending towards cloud deployment for their ERP platform, deciding between on-premise versus cloud deployment is still a pertinent question for manufacturing and physical supply chain companies in Africa. SYSPRO is uniquely positioned, offering the same functionality in both deployment models. But quite often, the benefits of cloud deployment do not resonate with customers, focusing on control and on-site security. In both deployment models, the SYSPRO ERP platform serves as the solid foundation for companies, providing reliable visibility and access to all operations."

– Johan du Toit, Strategic Sales Executive, [SYSPRO](#)

Top 5 advantages of using cloud for ERP



IMPLEMENTATION MYTHS



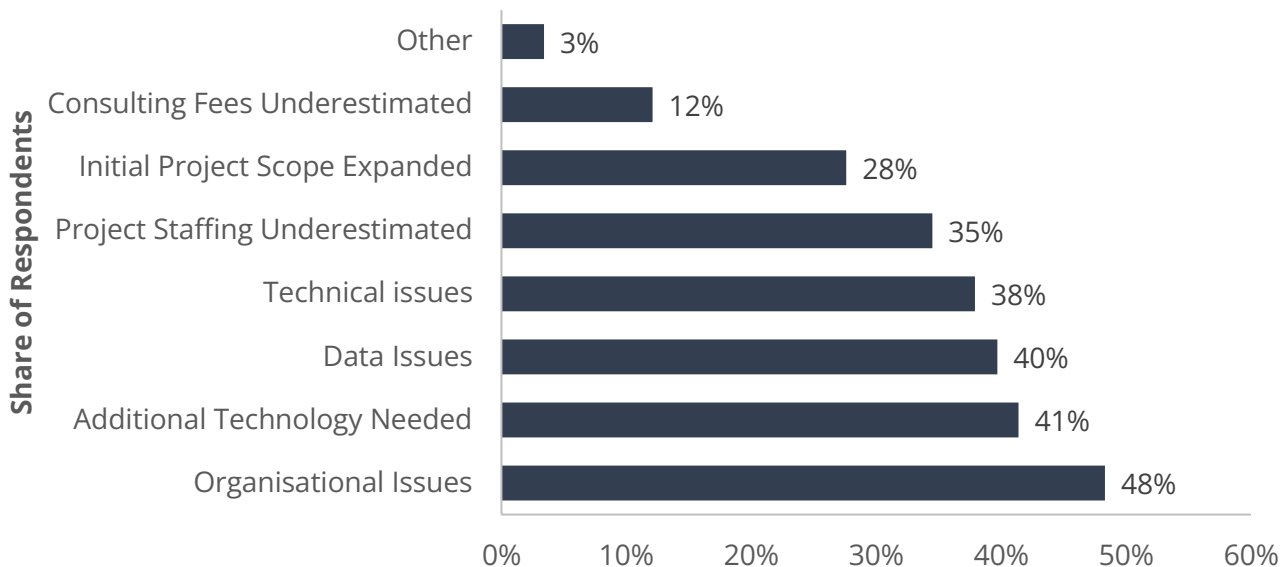
The success of an ERP system's implementation is as much a human issue as it is a technology issue.

Myth 11: Success lies in the technology

Considering the human response to the process and technological change is crucial to ensuring the smooth implementation of an ERP system. Research shows that organisational (i.e. human) issues, which include governance issues, resistance to change and process redesign

challenges, were the most common reason for the ERP budget overruns⁽⁶⁾. Creating a dedicated team of ERP leaders and external consultants could increase the focus on change management, and avoid budget overruns and delayed or failed implementations.

Reasons for ERP budget overruns; 2021



Source: [Panorama's 2022 ERP Report](#)

Myth 12: IT owns ERP

Although IT plays an essential role during implementation, proactively building a sense of ownership⁽¹²⁾ across the executive group, as well as the rest of the organisation is an integral part of the success of ERP. The ERP system is ultimately a tool made available to the various

divisions to achieve their business objectives. The more the business is involved in selecting, tailoring, implementing and managing the system, the closer it will align with the business needs. The IT department does however still bring critical knowledge about how the system is intended to be used.

"Business decision-makers can bypass the IT department and purchase an off-the-shelf ERP system for their department. However, it is crucial to foster communication about, and ownership of the ERP across the organisation, to then collect feedback from users and managers for executives to make data-driven decisions for the future."

— Shivmohan Purohit, [Solution and Implementation Expert](#)

MANAGING MYTHS



As with most systems, ERPs require ongoing management to get the most value from the investment.











Myth 13: Once-off data security

ERP systems contain vital customer and business data – from inventory lists, production plans, and essential financial information. But many systems are extremely vulnerable to cyber-attacks, which are increasing at an alarming rate. Business executives tend to underestimate how vulnerable their ERP systems are to cyber-attacks⁽¹³⁾, which cost the global economy a staggering USD 6 trillion in 2021, and is projected to reach a cost of USD 10.5 trillion annually by 2025⁽¹⁴⁾. Cybersecurity is not a once-

off initiative, but rather an ongoing process evolving with the business. COVID-19 pressured companies to allocate resources that focus on migrating to the cloud at a speed that didn't protect vulnerable points in the system. While there is no such thing as a fully protected cyber environment, key steps can be put in place to detect, defend and recover from attacks.

The diagram below highlights the top 5 critical ERP cyber vulnerabilities⁽¹⁵⁾ and methods to mitigate against them.

Top 5 ERP cyber vulnerabilities and methods of mitigation

Vulnerability	 Human Error	 Weak Password Guidelines	 Weak Lockout Mechanism	 Unauthorised Access Control	 Unrestricted File Upload
Mitigation	 Cyber Attack Response Training	 Enforce a Strong Password Policy	 Configure A Reasonable Lockout Threshold	 Improve User Profiles & Access Capabilities	 Validate File Type & Website Permissions

Myth 14: Communities don't matter

Organisations tend to only participate in software and service provider communities at the decision and selection phases of ERP. However, continued participation in these communities gives ERP leaders in the business access to a vast network of industry experts,

knowledge, experiences and insights to ensure that the organisation is getting the best long-term value⁽¹⁶⁾ from their ERP providers and software.

"The learning curve is steep at first, plateaus after a few months, but it never ends. Businesses need to learn from testing various new ERP features across internal user groups, as well as participate in external software communities. These are the places where discussions can give insight to best practices, key success factors and the pitfalls in maintaining your organisation's ERP system."

– Frank Scavo, President, [Avasant Research](#)

MANAGING MYTHS



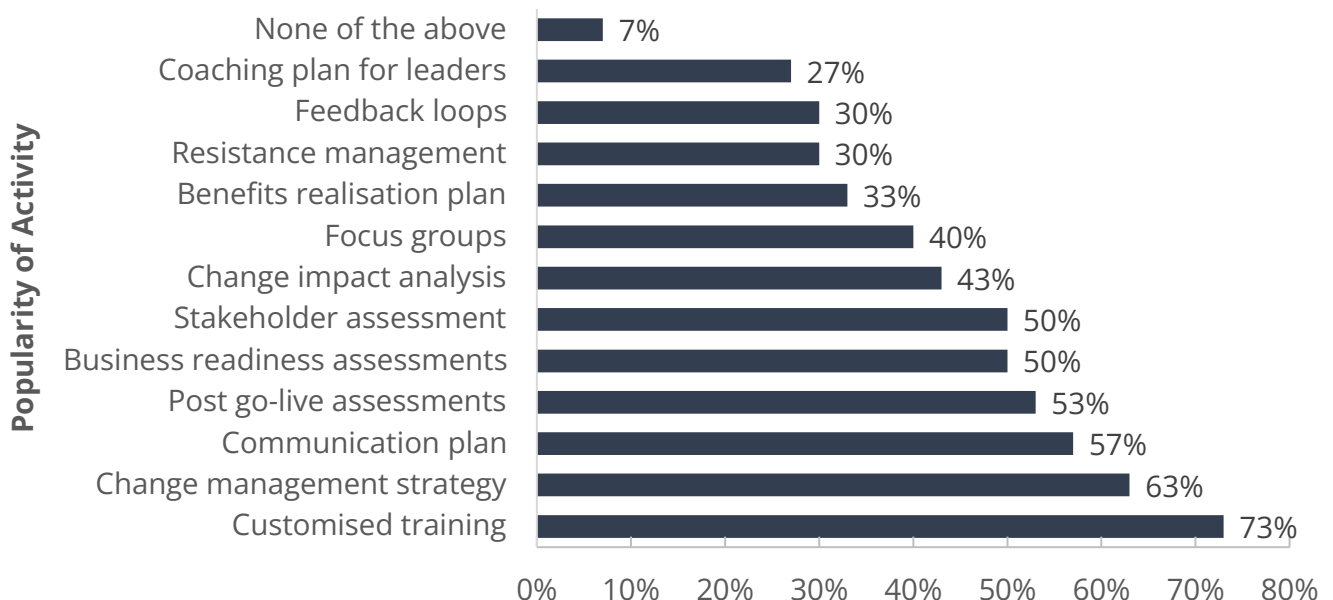
Although the complexity of ERP systems have been drastically reduced, ongoing change management is still required.

Myth 15: It takes one big push!

Continuous change management is important throughout the lifecycle of an ERP system, but organisations tend to limit it to the implementation phase. Employees get trained to use the system, build a management strategy, and a communication plan and run post go-live assessments. But then the effort tends to decrease rapidly. A recent study revealed that

maintaining change management (resistance management, building feedback loops and developing coaching plans for leaders) were rated among the least common activities⁽¹⁷⁾.

Most common change management activities among organisations implementing ERP systems



Source: [2020 ERP Report](#)

Myth 16: Difficult to use

Historically, ERP users had to go through complex and time-consuming training, since the systems were difficult to navigate. Along with this, the old systems were good at capturing data, but struggled to present it in ways that could effectively guide business decisions. However, advancements in ERP technology have enabled a user-friendly interface, advanced analytics and forecasting, to help make data-driven business decisions.

An example of this development is role-based user access, which customises a particular end-

user ERP interface across the value chain according to their role in the organisation. Meaning that roles associated with finance only have access to financial aspects of different ERP software, from raw material costing, tracking wastage with inventory and gathering revenue information on the output end of the value chain. Tailoring access according to roles and tasks can result in more streamlined efficiencies⁽¹⁸⁾, time saved, and enhanced production capacity, as it reduces the need to switch between ERP modules to do their work.

LOOKING AHEAD

Effectively using an ERP system is vital to stay ahead of technological advancements and reap commercial benefits.

Just as organisations are increasingly feeling the pressure to meet the challenges of today's world, so must the ERP providers adapt their offerings to be better suited to support this next phase of industrialisation. A key aspect of this evolution is the integration of additional technologies into the ERP platform to maximise the value derived from the investment.

ERP systems generate vast amounts of data which, if integrated and utilised effectively, can become one of the organisation's biggest assets. This could include optimisation of supply chains, customer profiling and other business process insights. It is forecasted that 65% of businesses will use AI-based ERP strategies by the end of 2022 to gain a competitive advantage⁽¹⁹⁾.

The disruptions of the past two years have also made organisations aware of the fragility of global supply chains. Similar threats now form part of future planning, requiring organisations to reduce dependencies on specific countries. This, in combination with direct-to-consumer and other e-commerce trends, will drive demand for ERP systems to incorporate additional technologies, but also deal with increased business model complexities.

Lastly, despite all the phenomenal developments in technology, one challenge remains... The human factor. The innovation at the business model and technology levels will have to be met with an equal amount of effort to support the adoption and change at the user-level, to derive true value.

"Technology is becoming more of a human issue as our pace of innovation increases. Innovation cannot happen in isolation."

– Hendrik Malan, Partner and CEO, [Frost & Sullivan Africa](#)

The ERP user experience has seen great advances in recent years, but we can expect the next wave of improvements to centre around the pervasiveness of the system, creating multiple

platforms to facilitate interaction and communication between the ERP system, its users, its customers and ultimately, a greater focus on people.

"If you look at the common ERP misconceptions, it is clear how most companies might be missing out on a true opportunity for growth. From finance to inventory, manufacturing, reporting and more. ERP gives you a single source of truth that is used across all the areas of your business to consolidate disparate systems and eliminate manual processes. With the many disruptive factors affecting businesses today, there has never been a better time to deploy an ERP solution than right now."

– Doug Hunter, Manager: Customer and Ecosystem Enablement, [SYSPRO](#)

4 phases of considering & using ERP software



CITATIONS

Sources are hyperlinked and numbered throughout the article. Below is a consolidated list for easy access.

1. [Interview with Shivmohan Purohit, ERP Expert](#)
2. [The business benefits of ERP for small to medium sized enterprises](#)
3. [11 top ERP software trends for 2022/2023: New predictions & what lies beyond](#)
4. [How ERP takes the customer experience to the next level](#)
5. [ERP can help organisations improve their customer experience](#)
6. [The 2022 ERP report](#)
7. [Interview with Jennifer Harris, ERP Expert](#)
8. [Project-Based ERP Statistics 2022](#)
9. [Maximize ERP ROI: Beyond the costs](#)
10. [All-in-one ERP software: Why it's a recipe for disaster](#)
11. [SYSPRO IT trends including cloud, Michael Bennett](#)
12. [Ownership, rather than championing, boosts ERP success](#)
13. [Seven steps to help protect your ERP system against cyberattacks](#)
14. [Cybercrime to cost the world USD 10.5 trillion annually by 2025](#)
15. [10 critical vulnerabilities found in ERP applications](#)
16. [Decision making in the ERP community](#)
17. [The 2020 ERP report](#)
18. [Review of roles-based access in ERP](#)
19. [Understanding the fourth era of ERP](#)

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