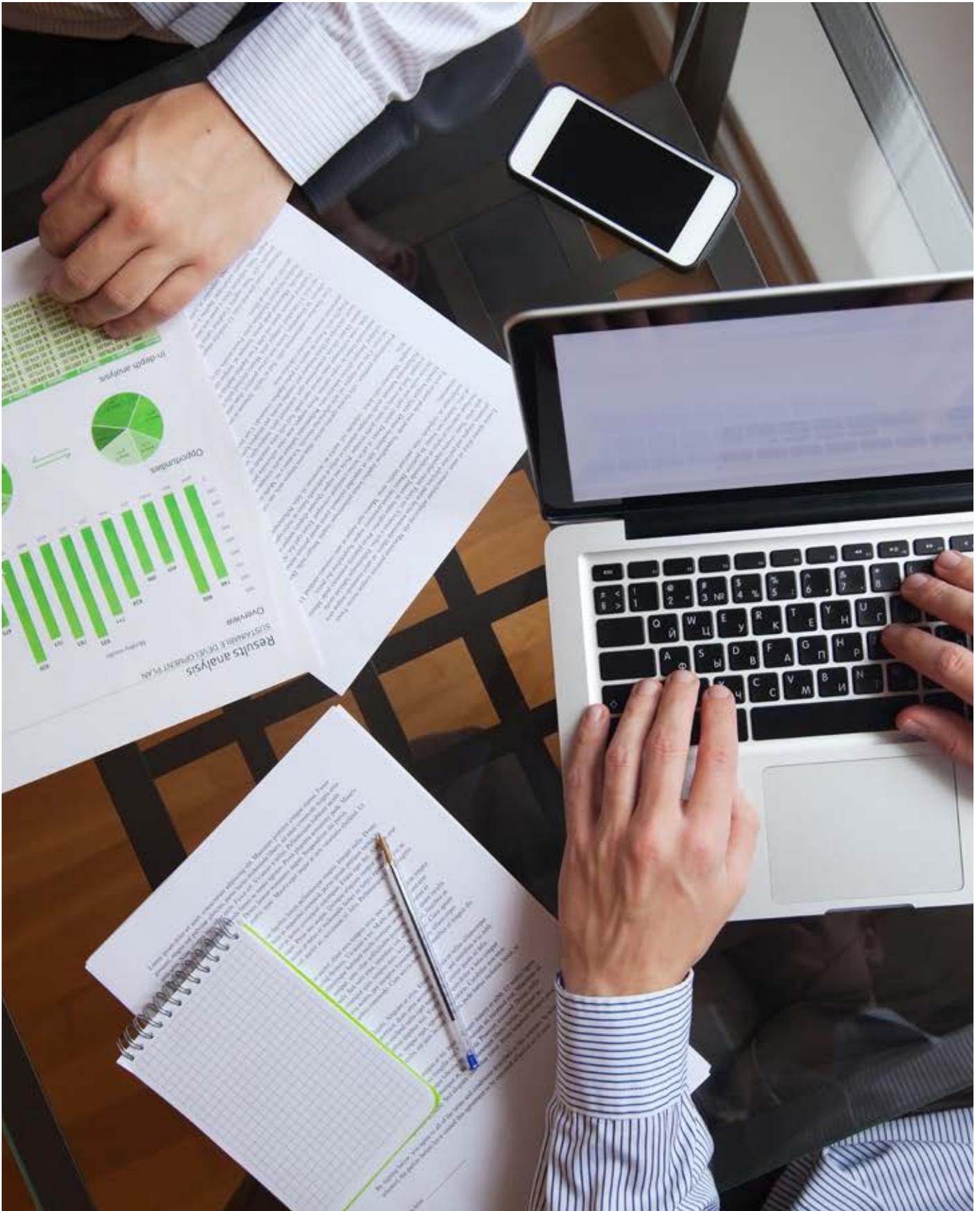


9 Reasons to Retire Your Homegrown ERP Software Solution



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Introduction

Technology changes rapidly, and it can be very challenging for in-house IT professionals to keep up and remain competitive. Whether the homegrown IT system you have seems fine for now or your company has developed strong loyalty to a custom-built solution, these options cannot offer you the level of protection and security of an outside enterprise resource planning (ERP) solution.

Compared to a robust ERP system, homegrown systems tend to be narrowly focused and lacking in deep support. And while a custom-built system may appear to offer control and flexibility, it may actually lock you into a sub-optimal solution. Some basic questions to consider include:

- ▶ Is software development really your core competency?
- ▶ Can you spare the programming resources?
- ▶ Do you have the years and the capital to develop, test, and finetune your application?
- ▶ What happens if you lose the precious few resources that can support and maintain your older technology?
- ▶ What is your visibility into emerging technologies and industry best practices that other distributors are using?
- ▶ Is your system truly integrating information and processes from all functional divisions of your organization, or do you have disparate data sources running your business?

To help answer the above questions and explain the realities of an ERP system, we have compiled the top nine reasons to weigh the advantages of an outside ERP over your homegrown system.

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Reason 1

Vulnerability and isolation of knowledge

Using a homegrown solution can pose numerous challenges. For example, what happens if the programmers who developed the original application move on to other projects, other jobs, or retirement? You may be coding in yesterday's technology, and will find it hard to replace resources who are familiar with and competent in those environments.

With only a limited staff of custom programmers, it's unlikely that you are taking full advantage of the ideas and innovations of other leading distributors or industry consultants, like business intelligence and data analytics. You may never be able to develop capabilities at the rate of the rest of the industry, and your competitors will gain market share.

Items to consider

What are you planning to do about areas of the system that were coded by people who left the company years ago? Typically, there are certain areas that everyone is afraid to touch because they are not readily understandable and not coded to standards. If you try to remodel those, will they ever really work the right way?

If you have to struggle to pull data ad hoc, your decision making may be hampered by a lack of information.

Reason 2

Immediacy and breadth of data

Even if you were to successfully reface your homegrown system to a modern graphical user interface and port to a relational database, you will still be technically challenged by the core foundation of a custom system's millions of lines of business code. Moreover, a homegrown solution is unlikely to include some of the advanced data capabilities of modern ERP systems:

- ▶ **Batch system vs. Real-time**—Older custom systems are usually updated via batches (daily or monthly), and it is extremely difficult to rewrite all the logic into a 100 percent real-time system. Batch systems also typically have lengthy day-end, month-end, and yearend processes.
- ▶ **Limited history**—Homegrown systems often have limited transactional history, as the data is purged every few months. This forces you to refer back to paper reports or information that is stored in a separate document imaging system.
- ▶ **Limited or no drilldowns**—Older systems have limited drilldown capabilities where you can view summary information—including paid A/R invoices, POs, A/P invoices, and GL entries.
- ▶ **User-friendly interface**—Homegrown systems typically lack the ability for end users to customize the interface and information to their specific business needs, make them more efficient, and view data that is most relevant to their job function.

Items to consider

How much time is your staff spending manually tracking data if required information isn't readily available?

Reason 3

Data duplication and discrepancies

It can be challenging for employees to get the data they need directly from a homegrown solution. If you plan to port data on a nightly basis to a data warehouse on an open database like Microsoft® SQL Server® for reporting, there may be data discrepancies between your legacy system and the data warehouse.

You should ask yourself: "If reporting is driven by a SQL database, why not have a core business system that runs off SQL so there doesn't have to be a translation layer between two separate data structures?"

Refaced custom systems usually have areas of the system that don't fully integrate with other areas. This creates inefficiencies by doing duplicate work areas. This creates disparate—and possibly conflicting—data sources. These areas can include such important functions as direct billing and A/R cash receipts.

Items to consider

Where will the data reside after a remodel? If not in a SQL-based database, you may always have compatibility problems with off-the-shelf packages such as Office®, BI, CRM, etc. If you have to struggle to pull data ad hoc, your decision making may be hampered by a lack of information.

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Reason 4

Lack of testing

An ERP software company has many end users involved in the beta testing to ensure the software does what it needs to do before it is released. What better way to instill confidence in your system than to have a dedicated QA team and hundreds of other users testing it?

Wide-ranging testing in real-life scenarios by leading ERP companies uncovers best practices. You may have coded a process into your system because that was the way it had always been done at your business, but there may be a better process that you are missing and others are using—giving them an advantage.

Items to consider

How many people test your internally developed applications, how much industry experience do they have, and how many meaningful scenarios can they come up with?

Reason 5

Lack of vision/new advances

Technology is evolving at an exponential pace—making it nearly impossible for your IT department to keep up with the changes in technology that a business needs to remain competitive. A distributor with an in-house IT staff for its custom system is actually at a competitive disadvantage today.

The key question is: “Should we be in the software development business when our core competency is as a wholesale distributor?”

The complexity of today’s computing environments only magnifies the difficulties and expense of implementing and maintaining these custom systems.

Items to consider

Software companies are in the business of not only developing their software, but also making sure their customers are happy and staying on top of new trends and industry advancements.

Reason 6

Shortcomings in systems architecture

In most cases, distribution employees want systems to meet their immediate needs. When IT doesn’t deliver, employees create various workarounds—causing the company to lose the economies of scale that can be achieved by having everyone adopt standard operating procedures.

Equally disastrous is asking each employee what they want from a system without having a method to cut the project down to the essentials.

Items to consider

Not fully understanding the system architecture requirements leads to a custom system that doesn’t fulfill the company’s needs. Fixing shortcomings in the software inevitably leads to patches, add-ons, and workarounds.

Reason 7

Costlier than you think

On the surface, remaining on a homegrown system may appear to be the least risky choice. However, there are many underlying challenges and trade-offs associated with your current custom system environment—and there is often a price tag attached.

In-house development can be much more costly than it appears—far more so than partnering with an ERP system provider. Add up the salaries of your development team, the downtime in user departments during all phases of development, and the opportunity cost of not putting developers on other worthy projects that

would propel your business forward. The time it requires to extract meaningful data for executive analysis out of your database must also be included as a cost consideration.

Items to consider

Maintenance on custom applications is time-intensive, slow, and fraught with undocumented functions—and that’s just for normal operations. Don’t forget the cost of downtime when outages occur. The complexity of today’s computing environments only magnifies the difficulties and expense of implementing and maintaining these custom systems.

Reason 8

No built-in learning management system

The average end user’s utilization of an in-house system is typically lower than on a standardized ERP. Distributors typically don’t hire professional documentarians, so they have limited online help screens. They also rarely have comprehensive user manuals or documentation for end users to easily understand how the programs and forecasting logic work. When people don’t understand the system, they don’t use it as frequently or efficiently.

Homegrown systems typically don’t have robust learning management systems to coordinate employees’ learning—including setting up training agendas with due dates, recording web-based training classes to be taken on demand, or setting up tests to certify employees’ understanding of various areas of the system. All of these can maximize employee adoption and utilization of the IT system.

Items to consider

The focus of homegrown solutions is often on the features and not on best business process flows, so they usually don’t have standard operating procedures. Your old system may be

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You owe it to your business to investigate options beyond the status quo.

familiar to your long-term employees, but it is likely to be quite foreign to new hires raised on Microsoft Windows® and the Internet. How will you be able to recruit good talent if potential employees don't want to work in a custom built environment and would rather access industry-leading tools and technology that will enable them to perform their jobs better?

Reason 9 Lack of ability to easily integrate

Your homegrown solution may not "play well with others." In particular, if it cannot integrate with an eCommerce storefront, you may be unable to offer customer-specific pricing and pull other ERP data into your online store without a lot of duplicate data entry or custom development work.

Items to consider

Leading ERP solutions are designed to integrate with other third-party systems, so no matter what type of software you're using, your ERP system will be the one source of truth throughout your organization.

Conclusion

While your homegrown system may seem comfortable and familiar, you are likely missing out on advanced functionality that could greatly improve your business operations, employee productivity, and bottom-line profitability. A leading ERP solution that is focused on distribution will provide a modern technology environment now while also offering forward-looking business applications such as integrated eCommerce, business intelligence, and a comprehensive inventory forecasting module. You owe it to your business to investigate options beyond the status quo.

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