

Enterprise Resource Planning

CHARACTERISTICS OF ERP SYSTEMS

Enterprise Resource Planning (ERP) systems is a generic title for a diverse group of enterprise-wide systems. SAP is probably the best known although other well known systems are available from Oracle, JD Edwards and PeopleSoft. They have evolved, in general, from what used to be accounting package systems, but the evolution has progressed to the point where in many cases they encompass the majority of the corporate systems infrastructure including supply chain management, production and HR.

Some key characteristics of these systems, as far as this article is concerned, include the following

- **They are expensive**
- **They are highly complex**
- **Any one system may not meet the needs of treasury as fully as is required**
- **Their internal connectivity (between modules) is better than their external connectivity (especially with financial counterparties and banks)**

OPPORTUNITIES AND ISSUES - FINANCIAL RISK MANAGEMENT, LIQUIDITY AND CASH

Why are we concerned by the characteristics outlined above? Consider the following factors:

- **The expense and complexity of an ERP project, and to which the enterprise is committed, create enormous pressure to focus on identifying and driving out benefits; preferably tangible and quantifiable benefits.**
- **Benefits can be demonstrated in the areas of risk management, liquidity and cash management, and bank relationship management.**
- **However the means of accessing these benefits are rarely to be found in the skillset of the project teams created to design, configure and install the systems.**

In our experience, this typically creates a situation where the CFO and Treasurer need to find skilled resource to support the project team over a period of months or years, in a situation where there is little or no spare capacity on the Treasury team. In addition, the range of skills required is relatively diverse and may not be available within the organization at all.

The situation is compounded by two external factors:

- **Optimization of the underlying bank structures is a complex task;**
- **There is a lack of vendor-supplied tools and techniques available to mitigate these factors.**

CRITICAL SUCCESS FACTORS

In our experience, critical success factors for the CFO and Treasurer in such a situation can be summarized under the following headings:

- **Early engagement and co-ordinated design of processes**
The processes around financial risk, liquidity and cash management need to be designed by people who understand the business thoroughly and can appreciate both the risks and rewards of competing approaches. In a typical ERP project structure this requires early engagement of the relevant functions, and particularly by the Treasury team; late engagement may mean that critical design decisions are taken in a vacuum and inappropriate structures and processes are mandated.
- **Rationalization of in country bank structures**
Many clients have in country bank structures and relationships which have grown up piecemeal over time, and have not been optimized for the demands of the 21st century. In particular, they are designed to meet the needs of the local operating business, and are not based on the global standards which the typical ERP based enterprise typically wishes to apply to its operations.
- **Appropriate choice of regional banking partners**
The larger banks have invested significantly in products, services and technology designed to meet the needs of ERP enabled customers; however, banking selection is a process of optimization, and obtaining the best fit solution from competing providers. This implies a detailed process of analysing the options and technology on offer from each potential providers.
- **Efficient design of bank structures**
However many banks are involved in supporting an ERP rollout, the processes and technology required to integrate them into a single, effective, structure need to be carefully thought through and documented; the architecture will have to prove itself over a long period under tough conditions
- **Effective project and change management**
In order to meet the above challenges, effective project management is required to ensure that scarce resources and skills are correctly focused, motivated and controlled against the timescales and deliverables imposed by the main ERP project

HOW ARC SOLUTIONS CAN HELP

In the environment outlined above, ARC Solutions supports its clients in a number of ways:

- **Planning the tasks, timings and resources required to meet agreed due dates;**

- **In the design phase, by provision of good practice input, analysis and experience of effective solutions already delivered;**
- **During the banking selection process we can provide draft materials, processes and tools;**
- **We use our experience in project management to support your project organization, planning and control;**
- **Our change management skills are leveraged at each stage in the process to assist with communication, transition and training**

If you would like to discuss further the challenges of implementing ERP systems please contact us at:

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