Week 3 You Decide

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## ChipInTime Enterprise Resource Planning

An Enterprise Resource Planning (ERP) system is a software system that can form the backbone of many larger-scale businesses. These systems usually consist of a suite of business applications that help manage various aspects of the business. Most of the applications within an ERP system are integrated in that they contain information that is helpful to other applications such as containing applications with respective information for product planning, product development, manufacturing as well as marketing and sales information. As you can imagine, it is integral that these systems are prompt and accurate as they serve a large portion of business management activities. In establishing an ERP there are some factors to consider such as how it will be built and implemented. The considerations usually come down to these options: purchase an off-the-shelf solution, outsource development to an IT services company, or develop a custom system using in-house resources.

After reviewing the information and comments from the key players in the company, we can see that there are various benefits and potential downsides to selecting any one of these three methods of establishing an ERP. First of all we need to explore some of the key criteria in selecting an ERP system; these include factors like cost, business needs, and available resources. Some other factors are present as well such as the size of the business, short and long term goals, and what types of investments the business prioritizes. Overall an ERP is a business-wide system that really does attempt to meet the needs of the business and give employees the tools they need to step through the entire business process. If money, time, and resources were no object (which is unlikely in any business scenario), then building a complete custom solution might be the best bet because then the system could be tailored to exactly meet every need of every department involved in the business process. More realistically, there is also the option of buying pre-built solutions or getting a solution built through vendors. Let’s explore how these compare against each other and how they may apply to ChipInTime’s ERP system.

A strong argument can be made that ERP systems try to be a jack of all trades but a master of none, and this is where one may begin to see the allure of building a custom system. Internal IT experts of the business have hands-on experience with current business systems and therefore can more easily see shortcomings or opportunities for improvement. In addition, the ability to interface locally and receive feedback from other employees who use the system can go a long way in rounding out the edges that make up the detail in a system. Higher level management can also have many, if not most, of their requirements met as well this way. Simply put, no one knows what works best for the business better than those who already work there each and every day. This means that needs can be fully realized and the system can be constructed in such a way that all functionality desired is provided – little to no compromise. Another important note is that when issues occur with the system and maintenance is required, you have the architects on-hand to fix it rather than having to deal with a 3rd party and waiting for a solution.

Alternatively, if developing in-house consumes too many resources (time, cost, etc.) then there are other areas to explore for developing an ERP system. Purchasing an off-the-shelf solution can be the cheapest option available because the vendors make a set of the software and sell it commercially to businesses in need of an all-in-one software solution. In this case the business’s needs are not fully prioritized because again these off-the-shelf solutions come as all-in-one packages that are more generalized to work in multiple circumstances and for multiple businesses. This leads to a third option for developing an ERP in that a limited amount of customization can be provided by the vendor or an IT services company which has it fall somewhere in the middle between full customization such as developing in-house and full generalization such as buying an off-the-shelf from a vendor. This could be considered the safest bet in terms of balancing cost and functionality because it can allow modifications to a low cost vendor package somewhat in order to incorporate some of the specifics the business may absolutely need. Some additional benefits of using an off-the-shelf solution whether it’s fully off-the-shelf or modified by a vendor, besides saving costs, is that the vendor is responsible for upgrades and maintenance. This can mean that many in-house resources can be freed up to work on other projects which ultimately may increase overall efficiency in the business process.

After considering the background information and needs of ChipInTime as listed in the scenario and dictated by the key players, it is my recommendation that an ERP be developed for the business by an outside vendor or IT services company. Since the company is rapidly expanding, I don’t think it’s a smart idea to tie up resources developing in-house as this may slow down progression by taking up many resources. Conversely, I do not feel that a purely off-the-shelf solution is suitable for the business because a company of this size and expanding into foreign countries as well is going to need some custom functionality system-wide in order to stay on top of requirements and further meet and exceed business process needs. By outsourcing an ERP solution, costs can be reduced and some of the key business needs can still be met. In addition, resources are not fully exhausted by using this method and should keep the business on an appropriate time table for further growth and market share.