**Acme Manufacturing Status Report**

**Introduction**

Acme Manufacturing, a small medium enterprise employing 150 staff, seeks to acquire an ERP solution to respond to market challenges. The status report therefore highlights risks that could be encountered with the three solutions presented.

**Assumptions**

Based on the SME classification of ACME Manufacturing, several assumptions could be made including the following:

* Financial stability refers to a firm’s ability to meet its obligations despite adverse situations, (Mazars,2021). Despite contributing to the economies of emerging economies, SMEs historically faced challenges such as; constrained access to funds, shortage of skilled labour, infrastructure deficits, and strong competition among other challenges which affected their financial status and stability. (Mbatha & Ngibe,2017).
* Alongside the lack of skilled labour, this implies that SMEs also have limited access to the technological capabilities required to compete with other industry players.
* Inadequate strategic planning is one of the factors undermining SME success implying that the organizational structure of such firms is likely to be inadequate to meet its future growth goals. (Hangraeni & Sinamo, 2021).
* Lastly, the research notes that SMEs have a high-risk profile due to the challenges involved in describing the risks within their business model. (Page, 2016).

Hence, the implementation of an enterprise resource planning system for Acme Manufacturing is contemplated amid these assumptions that are in the absence of contrary information.

* Business risks of SMEs: Among multiple risks that the firm may need to overcome include: strategic risk, security risk and business interruption risks. (Crowe,2020):
  + Most SMEs lack formalized decision-making processes, increasing strategic risks. With shifting external and internal environments, addressing this risk involves strategically preparing for transitions through research and planning. Continuous improvement addresses this risk. business interruption risk occurs due to the effects of unforeseen circumstances including natural disasters, supply chain issues, and pandemics.
  + Overreliance on primary plans and failing to provide contingencies expose SMEs to interruption risks (Crowe, 2020). These risks can be mitigated by creating business continuity plans that help SMEs respond to crises and minimize the impact of interruptions.
  + SMEs face increasing exposure to cybersecurity risks which occasion disruption, financial loss, and reputational damage. Formalizing risk management and incident response processes is required to mitigate
  + cybersecurity risk and limit downtime.

**Risk Considerations for ERP Selection**

For effective ERP selection, each option has its upside and downside.

* The commercial ERP technical risks ()
  + Cost may be prohibitive
  + May require a lot of customisations to meet Enterprise requirements
  + Compatibility with existing solutions may be an issue
  + System may be too complex for users and support staff

* Open-source ERP risk considerations (Silic, Back, 2015)
  + Vulnerabilities are known by the public and therefore are susceptible to cyber-attacks.
  + Maintenance support may not be as reliable as required and may require customization to meet ACME’s requirement. May also result in overhead to local IT team.
  + May lack of security due to developers lacking security expertise
  + warranties around security, support, or content may be missing.
  + Intellectual property violations
  + May not be future proof due to possible collapse of the open-source group due issues like lost interest.
* Inhouse Development risk considerations ()
  + Inexperienced technical staff and developer due to system being developed by a newly graduated student may not meet requirement.
  + Security of the system could be a risk and may open the Enterprise to threats.
  + System could cost more than anticipated
  + Lack of support in case of losing staff and developer
* For all solutions, the users may, however, experience compatibility problems, functionality issues, costly maintenance, and greater exposure to security vulnerabilities (Vlad, 2021). As technology changes, old interfaces may be redundant, and replacing the system could prove problematic.

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