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Westlake Village, California**



## **Best of Breed Niche ERP Software Suppliers Meets Computer Platform Standardized Technology**

*Target Audience: White Paper for the Small and Mid Sized Formula based manufacturer evaluating & selecting an ERP solution for their business.*

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## Introduction:

### Selection of ERP Systems

This document is to provide insights for Small and Mid- sized manufacturing companies evaluating ERP systems. The organizations may be producing & distributing the following specialty items or finished goods:

1. Food & Specialty Food products
2. Dairies & Fluid processors
3. Chemicals, Paint, and Adhesives
4. Pharmaceutical products or items that might be regulated by the FDA or have certain ingredient traceability requirements
5. Vitamins, and Health products
6. Cosmetology products
7. Nutraceutical products

Your company is in a niche market, the urgent need is to both standardize and improve plant processes and operations. While your business may classify as small or mid – sized, your issues and challenges are no different from Fortune 100 companies. You must out- perform your competitors, satisfy your customers and make a reasonable margin to grow. And..... It must be accomplished at a fraction of the Fortune 100 companies Information Systems Budget.

The path for operations improvement is a continuous journey. In the quest for excellence, and selecting the best information systems partner in the market place, many successful organizations find that Best in Class Core ERP Applications and Best in Class Financials did not originate from the same software supplier.

This is simply a non –issue when the Core ERP product address's all facets of selling, making, procurement, regularity compliance, labeling, and shop activities including costing. The Financial components of A/P, A/R, and G/L could very well be from another supplier. Integration (not the same as inter- facing) should be provided as out of the box functionally from the core ERP supplier. Seamless integration occurs with a single platform technology, i.e. Microsoft, SQL and usage of dot net programming.

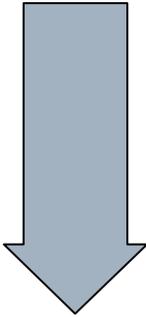
Any supplier making claims that their ERP solutions are superior simply because the G/L, Payables and Receivables were developed in house probably does not understand your unique business needs.

The key going forward is to keep the focus on your main stream business drivers while utilizing a single computer platform technology and an effectively designed ERP system to facilitate improvements through- out your unique enterprise.

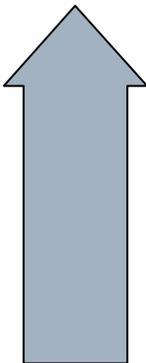
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**Lower  
Inventory  
levels**



**Increase fill  
rates**



## **Opportunities are often disguised as Challenges**

**Small and mid- sized companies are confronted with ever increasing business challenges**, particularly those organizations that manufacture Paint, Chemicals, Food, Cosmetics and specialty formula based products.

Business challenges in these environments, at first glance, might seem to be in direct conflict to a solution; moreover, they might appear diametrically opposed:

How can we lower inventory investments and yet increase the fill rate?

How can we continue to offer our customers excellent service and product value while struggling to maintain a profit margin?

Regulatory agencies add more business challenges; tracking of finished products at the end users site, product labeling, traceability of ingredient content, and much more...

Innovations are the future life blood of manufacturing organizations. Is it possible to continue innovation without introducing over- complexity thus diluting the main- core product values?

**The answer should be...** Find a solution for the Enterprise, not a quick fix of multi-layered spread sheets to be circulated around the front office and the shop floor knowing full well that a quick fix for any one of the immediate challenges will quickly become a serious issue for another functional department.

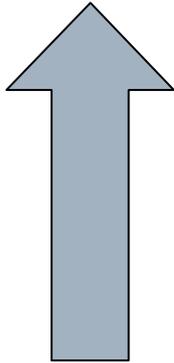
A good option for your organization to consider? Invest in the purchase of an **Enterprise Resource Planning System**.

The choices for ERP systems are many, however, the wrong decision could cost you plenty, even your business.....

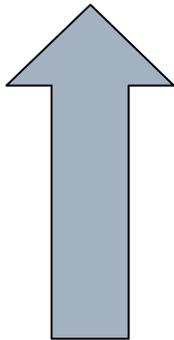
## **Before Starting----Three Key Points for Consideration**

1. Best of Breed application software could make a lot of sense in your market space because, in part, platform technology has solved integration issues. Having the right technology platform can help drive the business towards success.
2. Be wary of ERP suppliers disguising "discrete" manufacturing functionally as having Process enabled functions. Your industry is in fact different; ERP software designed for discrete manufacturers will not address your unique needs.
3. Company funds to invest in ERP are always scarce; never over invest with a single application software supplier failing to fully meet and solve your unique business issues..

Facilitate  
Collaboration



Provide Enterprise  
Information



Generate  
Compliance  
Information

### Where to Start

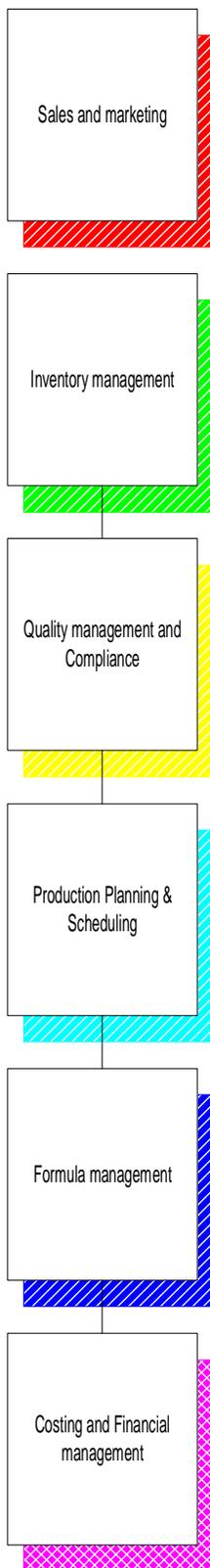
Information is the fuel feeding your Enterprise, therefore identify & respond to your core business needs. Data is not information; it is simply "data". Many organizations find themselves stuffed with data yet starving for information. Your new ERP system must be fully customer synchronized, collaborative in nature and immediately responsive to change anytime, anywhere. The new ERP system must:

1. Facilitate collaboration among your plants, warehouses, customers and suppliers. It must track customer shipments, supplier's receipts and record quality performances.
2. Provide the ability to increase operational efficiency while being precise in gathering all cost information required to manufacture your products.
3. Generate all compliance requirements during the manufacturing processes and into your end user's domain and beyond.

### Where to Focus

Above all, stay focused on the priorities for your business. Priorities can be identified as:

1. Customers, Most of your customers, if not all, simply can not afford to be lost. You might be thinking there are some customers you can not afford to keep? However, more appropriately, the question might be, do you have product lines you can not afford to keep? The ability to accurately measure and monitor their costs and revenues is essential. Do not guess as to their importance when forecasting and budgeting revenue projections. The days of "making it up in volume" are long gone. The objective is to make your organization indispensable to your customers. While it might be impracticable to attempt to gauge how "happy" your customers are, it is very practical to measure your performance versus the customer's expectation. Also if your customer has asked that you take orders by EDI, it's important to them, as is utilizing CRM to further the relationship.
2. Cost controls If you cannot accurately measure your cost down to specific SKUs, how confident can you be about the selling price? One costing method may not fit all of your needs; some products require actual, some average, some standard. You may need to use LIFO or FIFO. Chances are you will need to scale cost based on different units of measure; pints, quarts, gallons, or grams. Keep in mind this is a software information requirement, not data mining/ programming issue.
3. Product Innovations are critical; a failure to innovate equals a failure to differentiate which means a failure to maintain or increase/ market share. Focus has to given as to what can be learned from setbacks and triumphs alike. Tracking your laboratory R&D costs is vital to new products and re-energizes others. This can not be accomplished without Laboratory Decision support systems.



4. Quality Management & Traceability Ease of compliance must be intuitive to the system. Information must flow from your suppliers receipt of goods, to stock, to issue and ultimately to the end customer or warehouse. All must be system controlled & seamlessly integrated without modification to the software. Ingredient labeling, electronic signature and MSDS controls must be built in and scalable to your facilities.

5. Plan, Forecast, and Schedule, Planning & Forecasting is not limited to the sales or marketing departments. These functions must be accessible and integrated to all functions across the enterprise. Scheduling is the execution of sales & forecasts within the factory.

6. Inventory Control, This is the glue holding your business together; the functions for inventory run the gamut from MRP generations to serial & lot receiving to storage, to ingredient content for intermediates for which they eventually lead to the finished product. RFID and electronic sign off must be intuitive and available for usage. The final product must be tracked in warehouses and (in some instances) tracked into your customers supply chain. Inventory replenishments are maintained in these functions and must be managed and controlled. Effective inventory is a non negotiable issue with your application software supplier.

7. Procurement Management, Earlier discussion was given to the critical importance of Customers to your enterprise; the same is true with your Suppliers. To enable collaboration with your suppliers, you must have the technology and application software to manage all supplier activities. Delivering your purchase items on time and within a fair cost range is important; however, the quality of the product reins as the number one priority. Measuring the quality content of bought out items before they are received into your plant is obtainable with current technology. Demand that it is included with the suppliers offerings. Price & quantity breaks, alternative suppliers must be built in to the software.

#### **Technology, Where does it Fit?**

The answer is very straight forward; your desk top computer probably has Word, Excel and other Microsoft products. They are built to work on a single technology platform. This same platform should support & be integrated into your ERP solution. The capability to launch desk top tools from any specific ERP application must be integrated in the application module, and from any other desk top tool needed to gain information.

You may find many of your users have desk top software experience. With the use of those tools, users can quickly adapt to an ERP system that fits your business environment. These tools become a natural extension of ERP.

Use technology as the Horizontal base and ERP applications as a Vertical point to fit your business niche requirements. The glue holding them together is INTERGRATION...

» Extended ERP Small and mid- sized firms



### **ERP Core Application integration points:**

- Accounts Payable
- Accounts Receivable
- General Ledger

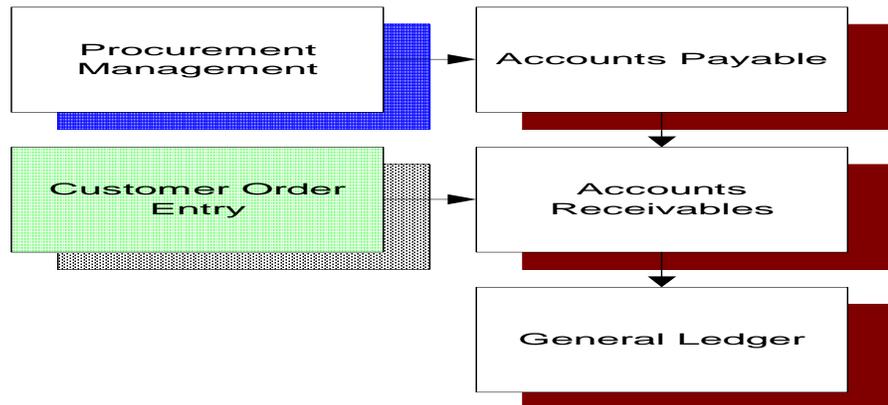
Many Enterprise Software Suppliers in the Small and Mid- Sized business arena offer Financials systems that are 3<sup>rd</sup> party products. This must not be seen as weakness. In many instances it is strength.

Best in Class software is best when your core business drivers are fully addressed and integrated to Best of Class Financials. Insure the following integrations points are INTEGRATED-- not inter-faced:

1. Accounts Payable and Accounts Receivable; does the system have one master file for both Suppliers and Customers?
2. Is there a log / audit file that creates a detail file for all incoming purchase receipts and shipments that is shared?
3. How is posting to the G/L generated? Can reversals be tracked back to the source? Will the G/L accept multiple companies and divisions, various account segmentation, drill down functions, history file requirements, tax reporting, SAAS reporting, Sarbanes Oxley requirements? Budgets are created & maintained in the G/L?
4. Returning goods back to suppliers (RTV) and Return goods back to your plant (RMA) are fully integrated and system maintained?

The financials meet or exceed **Generally Accepted Accounting Practices**.

## Integration of Best in- Class Formula Based software meets Best in Class Financials.



Many Finance Executives in small and mid-sized organizations are quick to state that Great Plains Dynamics Financials software is becoming a "Defacto Standard". It is no wonder as Great Plains Financials are helping manage over 57,000 companies in this business sector. Great Plains financials are often resold by ERP suppliers offering "Best in Class" solutions. A Gold certified Microsoft reseller is preferable; they have experience with the core needs of your organization and have proved to be Great Plains experts as well.

The ability to scale upwards is vital to many organizations; however, in order to scale upwards, the most urgent demand might be to better manage current assets. Continue to be a reliable & proven supplier for your present customers.

### **Summary**

Organizations in your market space are always facing challenges to reduce cost and do more with less. It is the world we live in. All these challenges can be met with qualified employees and an effective ERP solution. As an executive in your organization you might consider:

1. Keep the focus on your core needs
2. Improve collaboration inside and outside the walls of your company
3. Help your company to gain a competitive advantage by improving customer responsiveness.

What you do not Measure, you do not Control, therefore focus on plant and warehouse inventory control factors and focus on your true cost to manufacture. And keep in mind, an ERP system is an Information System, not streaming data open to interpretations.

About the Author

Daniel V. Williams CPIM, is General Manager and Principal at Relational Technology located in Westlake Village, California.

He has 20 plus years experience with the selection and implementation of ERP systems for companies ranging from Small to Fortune 100.

Clients include Bakeries, Specialty Food processing, Dairy processors and Beverage Bottling operations and distribution.

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