

Who Are ERP Best Practices “Best” For? Not Necessarily You.

Almost all ERP vendors tout their solution’s incorporation of “best practices” into their methodologies – but what does this really mean? Is there some universally accepted method for every business process that everyone must embrace or risk being labeled unacceptable? Should your firm implement an ERP solution that forces you to accept the way it works – or would you be better off with a more flexible solution? This paper examines that question.

January, 2012

An Executive Whitepaper Presented by
Fourth Generation Software, makers of



Affordable, Adaptable ERP Software

What are Best Practices?

Best practices are widely accepted, quasi-standardized approaches or processes used to perform a wide range of tasks. They are most frequently used in instances where there is no formal methodology – or that methodology has shortcomings. Used in almost every industry, a best practice is an informal standard way of doing things that many organizations can use. For example, the best practice in Purchase Order (PO) Receiving/Invoicing would be to:

1. Enter, print, and send the PO
2. Receive the PO line items at receipt
3. Enter the vendor invoice at receipt performing the receipt-to-invoice matching online, and recording variances in the General Ledger.

According to Wikipedia, “Sometimes a ‘best practice’ is not applicable or is inappropriate for a particular organization’s needs. A key strategic talent required when applying best practice to organizations is the ability to balance the unique qualities of an organization with the practices that it has in common with others.”

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What’s Wrong with an ERP Solution Incorporating Best Practices?

Nothing. For the types of businesses that would benefit from implementing ERP there are thousands of operational and administrative issues involved in running their businesses. These issues include everything from how to handle invoicing to inventory management, shipping, warehousing, etc. Imagine the level of effort required if managers had to make individual decisions on how their ERP solution should handle each of their business policies and processes. They’d have time for nothing else. By incorporating best practices into their ERP solutions, vendors eliminate the need for these individual decisions. Unfortunately, they can also eliminate the flexibility the business needs to maintain their uniqueness and competitive advantages.

Invariably, the major ERP vendors highlight their incorporation of best practices into the techniques employed by their software. For the most part this is a good thing. Every ERP vendor pre-configures their software using “standard” methods proven through years of use by all types

of businesses. But depending on how adaptable the software is, this incorporation of best practices can be a double-edged sword. Users have to ask themselves if they really want to change every area of their business to fit their ERP solution.

Some software vendors' offerings are inflexible when it comes to modifying their methodologies to conform to a user's unique needs. Some of the best practices claims of some ERP vendors have more to do with narrowing the choices to their offerings. Their “best practices” are nothing more than the limitations of their software.

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If you're like most people, you've seen this practice reflected in trying to buy something or get something done in your personal life. Have you ever been shopping or been trying to get some issue resolved over the phone with a customer service rep when you were told that something you've requested can't be done? Even if your request is completely reasonable – and everybody recognizes that - the response is “the computer won't let me do that.” That's the way it is when it comes to modifying some vendors' ideas of best practices. It might not be the practice best suited to your needs – but you have to live with it.

Best practices hold great promise – but they're no panacea. Ideally, they should facilitate your operations, not limit them.

The 80/20 Rule as it Applies to ERP Best Practices

Best practices vary by industry and market. Unless your business is identical to every other business in your market, you have at least a few of your own best practices.

Undoubtedly, some firms are satisfied with using all of the best practices pre-packaged into their ERP system with little or no modification. For other firms, especially those that leverage a unique capability for competitive advantage, they need a solution that will accommodate the practices that fuel their advantage. For them the 80/20 rule guides their optimum use of ERP best practices. Eighty percent of the best practice techniques incorporated into their ERP solution is fine out-of-the-box – it is that remaining 20% that must be adapted to accommodate their unique needs. It is this requirement to tailor a portion of the software to support this 20% that can make getting the most out of your ERP solution challenging.

This 20% can still be characterized as best practices – but rather than being defined by the software vendor, these are defined by you. By focusing effort on these 20% of best practices that represent the heart of your business, you maximize the effectiveness of your ERP solution.

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Why Innovative Companies Need “Adaptable” Best Practices

When talking about adapting ERP solutions it's important to draw a distinction between customizing the solution and adapting a best practice. Customizing an ERP solution to fit a user's needs might entail something as straightforward as adding a few custom data fields, or as complex as a comprehensive reworking of an area of the software's core functionality, or creating a whole new section of the software to automate an area specific to your business (for a more complete discussion of customization please see the Fitrix white paper on this topic). Adapting the solution to accommodate a user's specific best practices is usually more focused and limited versus opening the door to a new area of software. With some vendors, customizing their ERP offerings can be a complex and expensive endeavor or is only possible in a limited way or not at all. On the other hand, modifying a built-in best practice can be nearly impossible. Many ERP vendors, especially some of the bigger names, have developed their own menu of best practices and built their systems around them. You can do things their way – or, at best, you can pay them or a consultant, sometimes very large fees to modify the software in some fashion to accommodate your unique needs. This approach makes sense for the vendor, as locking users in to doing things their way allows for standardization of their offerings – and selling off-the-shelf software can be very profitable.

This “locked-in” approach doesn't work well for aggressive, innovative companies because it compels them to operate like their competitors – diminishing or eliminating their competitive advantage. These types of firms are less inclined to change their businesses to accommodate their software. They need the flexibility to develop their own best practices – and want software that can support them. By using an ERP solution that offers adaptable best practices, they can drill down into the details of their business and use business and operational processes to surpass those of their competitors.

Is the Fitrix Approach Right For You?

The Fitrix approach is to offer a solution that is completely adaptable to our users' needs. Our corporate culture, our operations, - everything we do is about providing our customers flexibility and independence. The Fitrix ERP solution uses technology that facilitates straightforward user modification and customization by the user's IT staff (or by Fourth Generation Software). Although we incorporate standard best practices into our ERP solution, there is nothing our users can't easily have changed if the modifications better fit their business practices. We have found that this approach best suits our target customers – those firms that embrace innovation and want to leverage their uniqueness to sustain and strengthen their market position.

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This approach is not universally a “best-fit” for all firms. Some businesses find other ERP solutions more consistent with their overall business profile. Figure 1 below is a matrix that considers the appropriateness of different models of ERP solutions depending on a customer's desire for adapting their software to their unique circumstances and tolerance for higher risk and cost.

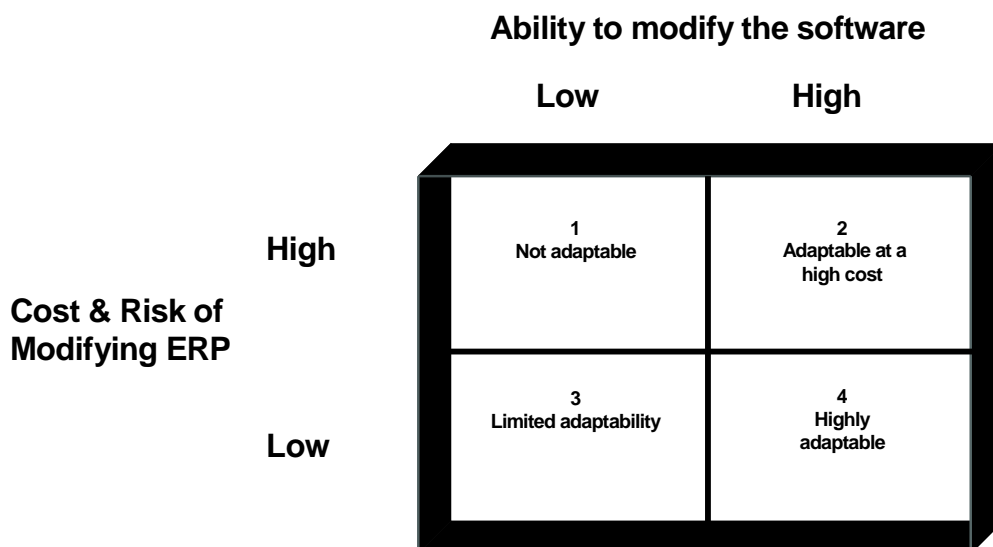


Figure 1: ERP Adaptability/Cost & Risk Matrix

- Box 1** This describes the null set. There are no vendors in this box since the ability to modify the software does not exist – so neither does the risk of modifying the software.
- Box 2** This box describes ERP fully modifiable packages - with one important caveat - the vendor never planned for it. The source code is available (usually at an exorbitant price), but the vendor's approach from this point forward is “good luck.” Once you modify the software, you lose support and updates. You may find yourself working with “spaghetti code” that was never intended for release to customers.
- Box 3** This describes the software from ERP vendors whose software is built on proprietary/closed platforms. These packages may allow limited modifications through specific access points or setting of switches but many types of modifications are not possible.
- Box 4** This is the Fitrix box. The software architecture is designed to be completely open and modifiable at the source code level and because of the relative ease with which the software can be modified to accommodate a unique best practice, modifications are supported – which greatly reduces the cost and risk.

Fitrix is committed to providing users with completely open and adaptable ERP software. The use of Linux (and UNIX), open systems, SQL, relational databases, fourth generation programming languages, structured programming, and Rapid Application Development (RAD) tools lets us offer software unlike those of other ERP vendors. With Fitrix, we provide access to 100% of the Fitrix application source code plus all of the tools we used to create and extend the product. So whether you contract with us, or use you own IT team, you have wide-open access to adapt or customize any area of Fitrix. Fitrix remains supportable and upgradeable even after extensive customization. Our software, while rich in functionality, offers users who need applications that are adaptable to their situation the ability to incorporate the best practices applicable to their businesses – at a price that is attractive to the small to mid-sized manufacturer.

To find out more about how small to mid-size manufacturers can benefit from the Fitrix ERP solution, please visit www.fitrix.com, email info@fitrix.com or call toll-free 1-800-374-6157 or 1-770-432-7623 outside the U.S. and Canada.

Fitrix offers an integrated ERP suite with the features and functionality found in solutions costing many times as much.