

SME CEOs, make the IT adoption simple...

*IT is not a product or technology. IT is strategy.
So it is the CEOs cup of tea...*



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SME spending on IT

According to a study by New York-based AMI-Partners, SMBs across the Indian subcontinent are set to spend \$7.7 billion on IT this year. A third of all Indian SMBs anticipate about a 20% increase in annual revenues, and will advance their IT spending.

Out of an IT spending of \$ 7.7 billion, \$1.2 billion will be spend on beefing up the Internet infrastructure and solutions. Another \$576 million will be spend on packaged software like productivity suites, operating systems, databases and utilities

software. These four software categories will comprise close to 70 per cent of the overall packaged software spending in India in 2006.

The SMEs are opening and connecting more branches across the continent and emphasizing on the importance of networking. Storage expenditures are anticipated to grow 44 per cent based on the growing volume of data and data security. Close to \$500 million spend is expected on servers and networking hardware, with two-thirds of the spending going toward network-related hardware purchases alone.

India's steady economic growth has boosted several sectors like auto components, textiles and garments, pharmaceuticals and banking and finance, which are on a major growth path. With most of the large enterprise market already tapped,

these are the promising segments where vendors are turning to.

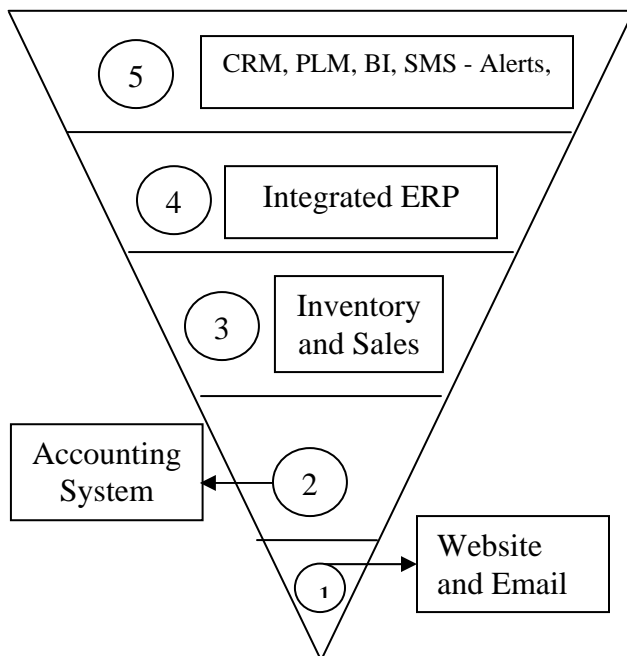
Right Approach

In general the SME CEOs say that they are either busy that they can not devote their time on IT or they say that they do not understand IT so they have the same left to be handled down the line.

IT is not a product or Technology. IT is business strategy. Hence it is the more relevant for the CEO to drive it.

Simple steps

Along the way of the growth of the SME, the typical IT adoption grows in the following steps:



Website and Email

As a first step, the organisation need to have their website. Website is the global face of the

organisation. It is also equally important to update the website on a regular frequency and email for the key people who interacts with Suppliers, Customers, Financial institutions, Business associates etc., It is advisable to have organisations mail id for the business function or the persons name for example it can be as nivedha@company.com or support@company.com. This will bring in the right visibility and communication culture within and outside the organisation.

Accounting System

The Second step could be an Accounting system. Definition of the head of accounts is of a primary importance so that the information retrieval becomes easy and meaningful. Booking of the voucher to the appropriate head of account is essential. Duplicate accounts are fatal for the business. Duplicate accounts simply reflect the lack of commitment levels of the accountants and the culture of the organisation.

The accounting system has to be effectively implemented in such a way that the Cash and Bank entries are completed on every day basis as well as to prepare a Bank reconciliation statement on monthly basis. Effective utilization and close monitoring of Debtor outstanding and creditor outstanding statements will bring in financial discipline. Review of monthly final accounts P& L and Balance sheet is desirable. At this stage the Money Balances would come under reasonable control.

Inventory and Sales

As a third step, extended part of Accounting can be Inventory and Sales Information has to be brought under the IT preview to ensure the Stock of RM, FG, Stores Spares and Consumables are controlled. A simple codification is desirable.

Preparation of all inventory related documents like Goods Receipt Note, Issue Slip, Material Return note, Invoice to be made mandatory. All stock entries are to be passed before in the system first before making the physical transaction. In this way the inventory will also be under control. Say a big no for Item duplicate entries.

Financial transparency

The indicator for the right implementation of step 2 & 3 is that the organisation must be in a position to provide the monthly statements to their bankers (stock statement and outstanding statement) before 4th of next month and all statutory returns like VAT/ TDS etc., before the respective due days.

For organisations demonstrating such financial discipline will always find that the Financial Intuitions proactively willing to support their funds requirements.

Why ERP?

This is a critical question for every organisation is that having implemented step 2 & 3 why do we need ERP now?

The answer is very simple. Organisation with an annual turnover up to Rs. 8 Crores with Accounting and Inventory system can be equated with Bachelors with Bajaj Pulsar. Beyond Rs. 8 Crores organisation becomes married person with 3 kids. They simply outgrow Bajaj Pulsar. They are right for Hundai Santro. That is where the step 2 & 3 is replaced by an Integrated ERP system. To start with car driving looks complex and dangerous, Parking looks to be a problem, Petrol looks to be costlier. The CEO has to get in to the picture to drive the change manage initiative and put the right perspective on the changed reality.

Over the period of time the people in the organisation are so used to the standalone applications, Purnima Varadharajan of IPOTT call it as 'Darling applications' that they find difficult moving out of the same. At the initial stages most of the people in the organisation feels that the ERP application is very cumbersome, as a threat to their jobs, too much of workload, very costly almost similar feelings from a Bike to a Car. ***They miss out very important aspect of Pleasure for a long drive and safety for the family.***

This mourning will exist for over 2 to 8 months depending upon response CEO on both hard-drive and emotional support. If this aspect is not handled properly, they will simply find reasons and put the blame on the ERP vendor, eventually the project will be scrapped. ***It is nothing but a comedy in old movie scene that a guy goes for a hotel, has full Tiffin and does not have money to pay for it. He comes up with an idea of a cockroach in the sambar.***

The crux of the issue for the CEO is to connect the aspiration of the organisation with the individual aspirations. Then the feeling of the threat by the people will disappear. But this has to be genuine effort from the bottom of the heart of the CEO. The new CEO will discover the new people with his own people. The people are ready to take-up the challenge

It is highly recommended for the CEO to have experienced IT consultant to support this endeavor. To select an IT consultant is again a challenge for the CEO. But not as much as he drives the entire project with out a right one. The consultant will act as a navigator. But the driver seat has obviously is with the CEO.

The consultant can be one who has functional exposure handled such projects and also has a decent understanding of the technology along with good people skills. The consultant has to understand the people and the business process of the organisation. He also needs to prepare a broad objective of the project and workflow of various business processes. At this stage identification of the critical business functions are crucial. It is advisable to start the ERP shopping only after this stage.

The following steps could be broad guidelines for the selection and adoption of an ERP application.

- First cut demo on the business functions
- Evaluation of the critical functions
- Users feed back after the demo
- Visiting the customers of the ERP vendor
- Proposal and Implementation time frame
- Get the investment ready
- Hardware and networking
- People devoted for the training
- Master preparation
- Cutoff date identification
- Opening balances
- Parallel transactions
- Comparison between legacy and ERP
- Discontinue legacy
- Go-live

It is not out of place to mention that the organisation needs to build close and ongoing relationship with the ERP vendor.

ERP on SaaS model – boon for SMEs

With the availability of Internet, ERPs are available in Software as a Service (SaaS) Model. In this model the ERP will be available with practically no capital investment like Servers and ERP application.

The server and the ERP application will be hosted in a secured data center like Software Technology Parks of India (STPI). SMEs don't have to worry about their data. It is like the jewels in the Bank are safer than in ones own house.

Beyond ERP

After hard learning at step 4, now comes the driving pleasure for the organisation. Over a transaction processing tool call ERP, seamless and intelligent 3rd generation application like Customer Relation Management (CRM), Business Intelligent (BI), Product Lifecycle Management (PLM), SMS alerts, Online Shopping and payment gateway, Dash board for Customers and Suppliers etc., can sit on top of ERP data base and can generate many business avenues and multi dimensional statistical data both in form of report and graphs that can provide the cutting edge advantage over the competition.

Conclusion

Through globalization, there are both opportunities competition. IT as a tool will help the organisation with a strategic advantage over its competition. Despite the challenges during the adoption of IT, it is important for the CEO to bring in the right IT culture and belief on IT across the organisation. As the business keeps evolving the IT also evolves a long with the business. Hence IT adoption is a continuous effort.