

# IS A VIRTUAL ERP THE KEY TO SUPPLY CHAIN INTEGRATION INTO THE BUSINESS?

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The focus on 'doing the right thing with the right thing' is the hallmark of all successful businesses, but when they look to an ERP system to help them manage their business, the selection of the 'right tool' is made difficult by an initial decision between ERP or specialist best-of-breed tools.

An alternative to an off-the-shelf ERP may be creating a 'virtual ERP' by using modern technologies to join together smaller 'best of breed' products and thereby avoid cost and compromise. This approach leaves silver bullets to the Lone Ranger.

Most companies anguish over the selection of an ERP system. It is seen as the 'silver bullet' that will handle all the company's information to the betterment of the business. Modern ERP systems offer an attractive 'one stop shop' for business management by providing financial, administrative, personnel, supply chain, manufacturing, client, sales and golf handicap management all in one convenient package. Compellingly, all these modules are 'integrated' so there is no need to re-key information between older specialist tools.

The anguish that most companies suffer starts with recognition of the high risk in selecting a product that is essential to 'run' their company for the next five or so years. Companies often struggle with compromises they seem to face with selecting an ERP, in which some of the modules are suitable and some don't fit the company and may even cause company processes to have to be changed. Very often a company will end up choosing the closest fit available with a plan to 'bolt on' additions to match particular needs. It is almost unknown to find a company that is equally happy with all the modules of their ERP.

The Australian Defence Organisation has struggled for years with the fact that it has three separate 'systems' to manage its complex financial, personnel and supply functions. It is under considerable pressure to unify them, even though

it may actually have the best solution for its particular business. If you look at the three systems holistically, they have a 'virtual ERP' comprised of the three tools that best suit their needs.

That same 'virtual ERP architecture' in which a number of 'best-of-breed' specialist tools or systems are integrated by modern technology (SOA or third-party middleware) probably holds the key for all businesses and government enterprises.

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Imagine being able to have the best (for your organisation's needs) accounting system, personnel system, warehouse management system, contract management system, inventory planning system, have them swapping data seamlessly and you being able to upgrade any of them when you are ready, with no impact on the rest of the systems.

Nirvana, though, does come with some catches. One of the key attractions of an ERP is that the vendor has packaged all the modules and your IT staff should not have to worry about interfaces between various modules. Sales will automatically be reflected in the GL, inventory planning modules etc. For some companies, this provides an upside in being able to have less skilled and fewer IT support people.

A 'virtual ERP' still has that integration but it is provided by different people and can look a bit messier. The upside is that you get the tools that fit your business best.

At the heart of your new 'virtual ERP' is the selection of the individual tools you want to use to run your organisation. Select the best network optimiser, inventory planner, GL, HR system on the market – just make sure they are service-oriented architecture (SOA) or other middleware-compatible.

A 'virtual ERP' uses SOA (or a third-party middleware product) to join your specifically selected packages together. It forms functions and data into distinct units, or services, which are then made accessible over a network, in a well-defined format, to other users of the same data or services. All this happens invisibly to the user.

The other component in the 'virtual ERP' implementation is an IT-focused professional services company that most organisations will need to initially establish the virtual ERP. IT companies vary in skills, support and price, but selection of an IT company you can trust is easier than selecting an ERP you will love.

The IT professional services company will work with you in selecting your integration tool and then to help configure it and your selected software into one system. They then step back and let you do what you do best.

In a couple of years, when you want to replace your accounting system or you want to add in the world's best inventory optimisation tool, you re-contact your IT company (or a different one) and they will help you swap out the old and swap in the new system – technically a breeze. But don't forget the need to ensure that your people remain the key to the new module's success.

Modern technology has provided the supply chain with powerful tools, but we must remain as careful in selecting them as we do in selecting our WMS or our people. An all-singing, all dancing ERP may not be the answer for your business.

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