

ERP– Role of a Chartered Accountant

In the next couple of years, India is going to witness, “never before seen” ERP initiatives. There is going to be a great demand for functional and strategy consultants, whose number at present is far below the surging demand. Myths and mysteries of ERP apart, there are many ERP fiascos and horror stories that still haunt the early birds. But the lessons learnt out of these past experiences make implementing ERP a fantastic challenge – a very satisfying journey for the solution provider, the implementer and primarily, the organisation. And all these are possible because of the catalyst – the facilitator, the consultant – call him/her by any name suitable. Will a CA fit into this profile? Yes, of course. In fact, a CA would be the ideal catalyst. With sound financial domain knowledge, good analytical skills, logical thinking and process understanding, a CA would be able to ideally plug into this position as an ERP Consultant. The additional call is for knowledge on ERP, which he/she has to acquire, and considering the knowledge base and business exposure, this is not very difficult for them.

Present ERP Scenario

While Enterprise Resource Planning (ERP) is now synonymous with any large organisation, it is making inroads into the Small and Medium Business (SMB) sectors also. The major reasons for this transition are:

1. Large segment market has saturated.
2. Prices of ERP licence has dropped phenomenally making it affordable to SMBs.
3. ERP vendors are wooing SMBs with special products which are more user friendly and easy to implement.
4. The business information requirements between the large and medium scale business seems to narrow down.

Large organisations that have already implemented ERPs, are now struggling with gigabytes and terabytes of data and are still

unable to get the information they are looking for. These organisations will be looking at ways of slicing and dicing their data. This is called ‘Business Intelligence’. They would be looking for consultants capable of ascertaining the Key Performance Indicators (KPIs) required for the organisation and ways to make it available to the users in the right format at the right time and with minimum effort.

Organisation Changes Due to ERP

Thanks to ERP, all organisations, which were “FUNCTION” based, are moving towards “PROCESS” based management. As a result, multiple functions are required to coordinate among themselves to accomplish a process. For example, a process ‘Order to Cash’ involves all activities from receiving an order from customer, manufacturing, invoicing, delivery and collection of receivables. The functions that might get involved in this process are Sales, Production, Quality, Despatch and Accounts. Unless all these functions work in tandem, the process cannot be completed. This requires tremendous amount of coordination among the functions, which is a challenge for any organisation that is used to working under watertight compartments.

A new position called ‘MRP Planner’ is being brought in by most organisations that have



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implemented an ERP. The ERP Planner would be a very senior executive in the organisation who would be coordinating with Sales, Materials, Production, Despatch and Maintenance. He/She would have the authority to decide what is to be produced and sold.

Stages in ERP Implementation

There are three distinct stages in any ERP road map for an organisation. They are:

Ø Strategy, Roadmap Development and Acquisition Stage

1. The most vital stage in an ERP Scenario. Huge amount of time and money is going to be committed. This is as good as erecting a plant or deciding to go for new products.
2. GO OR NO GO should be decided. The entire project should be conceptualised at this stage. The detailed budget for the project, the Objectives and the various teams should be derived.
3. The following are also determined during this stage:
 - Ø ERP Objectives
 - Ø AS-IS and TO-BE documentation
 - Ø IT infrastructure (Hardware, other software, network, etc.,)
4. The right product suitable for the organisation process and the right implementer to implement the selected product should also be decided at this stage.

Ø Implementation Stage

1. This stage involves the hustle and bustle, the frayed tempers, delightedness, disappointments and the climax crescendo of GOING LIVE
2. The journey does not end by going live. In fact, it just begins.

Ø Post implementation stage

1. Any ERP to settle down will require a

minimum of six months from GO LIVE

2. "What went Wrong?" analysis, future actions and corrections happen during this stage.

What Should One Look For, in An ERP?

For an ERP to provide the required rate of return for the investment made, the following should be considered:

- Ø Is the organisation going to use the ERP, for planning or for just data capturing and reporting?
- Ø Is the data going to be captured only once, and all modules use the same across the organisation?
- Ø Will real time information be available for decision-making?

Is ERP Really a Myth?

In most of the organisations that have implemented ERP, the below mentioned scenarios are not new.

1. Inventory goes out of control since the Purchase Department has no clue as to why they need to buy the materials as stated by the ERP.
2. Production stoppages happen or materials pile up before a process. The reason is evident - the Purchase Department acted on its own instead of following ERP suggestions, as they thought it was not correct.
3. Sales Plan of the Marketing Dept does not match with Production Plan and there is a constant tussle between the Sales Head and Production Head on account of 'On Time Deliveries'.
4. Decision-making is still based on a certain gut feeling of the individual and not based on facts as projected by the ERP.
5. Most of the information that the users want is not readily available in the ERP even though there is abundant information in the ERP, which the users dare to touch.

Why do ERP Initiatives Fail to Deliver?

- a. Clear and quantifiable objectives not set before deciding to go for an ERP.
- b. Organisation lacks maturity to embrace the unavoidable changes due to ERP.
- c. Lack of top management support and no clear sponsor identified for the project.
- d. Not much of time spent and home work done in selecting the right product.
- e. While the right product is selected, the implementer makes a mess out of it.
- f. ERP is considered more of an IT initiative rather than a business initiative.
- g. Not mapping the processes accurately into the ERP.
- h. Improper or inaccurate Master data migration.
- i. Core Team not constituted with the right people.

Opportunities For Chartered Accountants

Having gone through what was said earlier, one can clearly understand that an ERP implementation is a tight ropewalk. A somersault is not unusual. And what is the guarantee that

ERP is still new ground for most organisations. Generally you have the vendor and implementer coming in during the ERP implementation and the Organisation is not sure if the suggestions provided by them are correct.

you will land on your foot and not on the head. Can an ERP fiasco change the palmistry of the organisation?

Extreme caution and precise planning are the mantras for a successful ERP implementation.

ERP is still new ground for most organisations. Generally you have the vendor and implementer coming in during the ERP implementation and the Organisation is not sure if the suggestions provided by them are correct. Further, these organisations require somebody who can suggest them the right way to approach the whole process and ensure smooth sailing with no slip-ups.

A Chartered Accountant would be the ideal catalyst. With sound financial domain knowledge, good analytical skills, logical thinking and process understanding, a Chartered Accountant would be able to ideally plug into this position as an ERP Consultant. The additional call is for knowledge on ERP, which he/she has to acquire, and considering the business exposure, this is not very difficult to meet.

Once a Chartered Accountant is fully prepared to take up this opportunity, there cannot be any looking back. The following paragraphs highlight some of the services that he/she can render during the course of ERP implementation.

(1) Pre ERP implementation BPR: Most of the organisations should undertake some minimum amount of Business Process Reengineering exercises before going in for an ERP implementation. These BPR exercises can be:

- Ø Redefining the process to map easily into an ERP scenario.
- Ø Minimising the various lead times to enable frequent running of Material Requirement Planning module and there by enable effective planning.

(2) ERP Readiness assessment:

- Ø Most organisations are not very sure if they are mature enough to go for an ERP. This has to be assessed first. A survey can be conducted to assess the following:
 - o How computer literate are the users.
 - o What is the level of knowledge of ERP with the users?

- o Do they have the resources to implement an ERP?
- o What is the "Tone at the Top".

(3) Strategy setting and roadmap:

- ∅ Once a decision to implement ERP has been taken and the ball is set rolling, there is no opportunity to look back. The investment will be heavy and the culture shock will also have a bearing on the organisation. Hence the Strategy and Roadmap are very crucial. These will essentially involve:
 - o Clear and quantifiable objectives setting as to why the organisation should go for an ERP.
 - o Formation of various teams.
 - o The entire methodology for the project.
 - o Budget with detailed classifications.
 - o Timelines with milestones.
 - o Quality assessment criteria.

(4) Product selection and implementer selection:

- ∅ Yet another important milestone in the whole ERP project is the selection of the product and implementer. A Chartered Accountant can help the organisation in this.
 - o A proper set of criterion should be developed to select the product and the implementer.
 - o Though most of the ERP products are similar, there are subtle differences, which can cause tremendous impact on the usage. A CA should make himself aware of these differences.
 - o He can facilitate the product and implementer demos and help the organisation select the right product and implementer.

(5) AS IS and TO BE documentation

- ∅ The first step in implementation of an ERP is to develop a "Business Blueprint". This maps the processes as is being followed in the

organisation with the processes available within the selected ERP and identifies the gaps. The organisation then decides what should be done with the gaps. A CA can help the organisation to:

- o Develop the AS IS and TO BE documentation.
- o Analyse the processes and suggest the best practices.
- o Analyse the gaps and suggest suitable alternatives.

(6) Change Management:

- ∅ For most organisations, ERP brings along a culture shock and a sense of insecurity. "Function based approach" is making way for "Process based approach". People who were used to working in "Islands of authority" now find that others are looking at their work. Certain functions become

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redundant and some new functions emerge. The whole organisation structure seems to be questioned. This brings a sense of insecurity. The core team that gets involved in the implementation finds that the positions they once held now belong to some others. They are no longer required at their original work place, once the implementation is over. These instances can ruin an ERP implementation. Change management workshops are essential to bring in the comfort to the users and also prepare them as to what to expect.

- ∅ A CA can help the organisation in conducting these workshops in a more effective

manner since he/she has the experience in looking at various organisations. The process knowledge gives him/her a clear vision of how the final picture, post ERP, will emerge.

(7) Organisation Structure definition:

- ∅ Every ERP requires certain configurations to be set up to effectively run its planning engines. These are vital and once set up is not easy to revoke. Planning configurations require BPR exercise and change management. These settings will also go a long way to improve the efficiency and effectiveness of the functioning of the organisation. Some of the decisions to be taken will be as under:
 - o Do we need to run MRP at plant level or at organisation level?
 - o Where do we need to identify the inventory?

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- o How and where should the WIP be valued?
- o Where should the “Set of Books” maintained?

The CA can work along with the organisation Core Team and the implementer in deciding these configurations.

(8) Master data migration and Reports validation:

- ∅ The success of an ERP implementation depends mainly on (a) how the processes have been mapped and (b) how accurate

and complete is the master data. Due to pressure of meeting GO LIVE deadline, the master data accuracy and completeness is given a go by. Once the master data is fed into the new ERP, it is very difficult to correct. Much care has to be taken at the migration stage.

- ∅ Almost 60% of the master data requirements for an ERP will not be readily available with the organisation. The organisation has to evolve a methodology as to wherefrom and how this data will be obtained.
- ∅ During master data migration, there is no proper mechanism to check the accuracy of input.
- ∅ Many of the mandatory fields in the ERP can be left blank while uploading which will lead to absurd results while it goes live.
- ∅ There are pre-defined reports within an ERP and there are customised reports as per user requirements. The accuracy of the reports needs to be checked.
- ∅ There are multitudes of reports available in an ERP. These reports should be categorised based on usage and only the required reports should be made available.

ACA can help the organisation in overcoming these hurdles and being a part of the team, supervise the migration of the master data.

(9) User Acceptance testing

- ∅ There could be thousands and thousands of configurations that go into an ERP implementation. Error in any one of these could lead to improper information. Testing happens at various stages and at various levels in the course of implementation of an ERP. The testing could be (1) Unit testing, (2) Integration testing, (3) User Acceptance testing, (4) Master Data migration checking.
- ∅ The testing methodology should be made known to the users. They should be aware of what to test.

- Ø Sample data and test cases should be made ready before the testing phase begins. The test case should cover all the relevant processes.
- Ø There should be a log for recording all the test results and for future follow up.

A CA can involve himself/herself in the user Acceptance testing phase. He/She can help in deciding and developing the test cases, test for controls and also for effectiveness.

(10) Segregation of Duties audit:

- Ø Considering the cost of licenses, most of the organisations do not allot a User ID to every user. A group of similar jobs are supposed to be combined under one User ID. But this is not the case always. Many of the conflicting functions are grouped under one User ID, thereby compromising internal controls and not providing the logical access on "NEED TO KNOW" basis.
- Ø On the other hand, user IDs are allotted to certain users, who do not use the system at all. This adds to the 'Total Cost of Ownership'.
- Ø A CA can suggest the best "Segregation of Duty" amongst the User IDs and also based on a survey, suggest the optimum use of licenses by allotting the user IDs to the right persons in the organisation.

(11) Post implementation review:

- Ø The ERP journey actually begins after the "GO LIVE" stage. It takes almost six months after go live, for the organisation to settle down.
- Ø Many of the controls that we assume are supposed to be in any system, are absent in an ERP. These are either not there in the product or have been removed during the course of implementation.
- Ø There are "User Exits" created during implementation for interfacing with other applications. These are vulnerable and prone to security breaches.

- Ø "Customisation" is another cause of concern. As the original source codes are being tampered due to customisation, adequate care should be taken to ensure that "Regression" errors do not happen. Documentation of these is vital for future references.

- Ø Due to the GO LIVE date pressure, documentation is given the slip. Documentation should progress as the implementation progresses. It is extremely difficult or not possible to create the documentation, after the implementation is completed.

- Ø There could be certain processes that are postponed to the second phase of implementation, either due to paucity of time or requires further study. Care should be taken to ensure that these are not vital for the organisation and that they do not compromise the controls.

The services that CAs can render during the course of ERP implementation include, Pre ERP implementation Business Process Reengineering exercises, ERP Readiness assessment, Strategy setting and roadmap, Product selection and implementer selection, Organisation Structure definition, Master data migration, User Acceptance testing and Post implementation review.

- Ø A thorough security audit should be undertaken to ensure that the above are scrutinised and are in place.
- Ø A CA can verify if the documentation is available and is up to date. He/She should get trained to use certain CAAT Tools to audit the application.
- Ø A CA, as a functional expert along with

Information System Audit knowledge is the right person for post implementation review.

(12) Data warehousing and Business intelligence:

- ∅ The base information generated by any ERP might not be useful to senior management as such. They require more refinement and consolidation. The usefulness of an ERP will not be felt, unless the information by it is classified, summarised and presented in a manner, which is easy to understand.
- ∅ The latest concepts like, "Management Cockpit, Balance Score Card, Sensitivity Analysis" etc come out of what is called as "Business Intelligence". The data for it is generated from the ERP as well as legacy systems.

Every Chartered Accountant aspiring to get into this line of practice should also create a "Proof of Concept (POC)" lab within the office. POC is nothing but one or two computer systems dedicated for this purpose and loaded with all required programs, tools, methodologies, etc.

- ∅ A CA should be aware of the Critical Success Factors (CSFs) and Key Performance Indicators (KPIs) that an organisation should be aware of and how these can be presented.

(13) User Training

- ∅ The success of an ERP depends on how good the users are trained. The implementer trains the Core Team members and the Core Team trains the end users.
- ∅ The entire features of an ERP cannot be made known to all users. The training should be based on 'NEED TO KNOW' basis.
- ∅ A CA can determine who should be trained

and also assess the quality of training provided. This will enable a smooth transition from the legacy to new system.

What Should a CA Possess?

(a) Good process knowledge: The entire ERP runs on processes. A CA should be aware of the complete business processes and the controls that are required to be implemented. A theoretical knowledge might not provide the results. The CA should get involved in the chain to understand it better. This comes more out of experience rather than bookish knowledge.

(b) Basic knowledge about ERP products and their terminologies

- ∅ ERP products differ drastically between Process manufacturing and discrete manufacturing.
- ∅ Though all ERP products for similar type of industry appear to be similar, there are subtle differences. These, if not correctly assessed, will break an ERP project in an organisation.
- ∅ Customisation should be avoided. If the right product is not selected, it will amount to considerable amount of customisation, which will be an obstacle while going in for the later versions from the same ERP at a future date.
- ∅ A CA should be aware of product specifications of every ERP and also the feature sets of the ERP. He/She should also have a thorough knowledge of the terminologies that are generally used in any ERP.

(c) Project Management skills

- ∅ The success of ERP implementation depends on the effective management of time lines. There are different vendors, consultants working on the same project. It is almost similar to construction of a large building. It requires precise coordination among the various teams to make the project GO LIVE on the specified date.

- ∅ Crashing the project will lead to errors in the master data and wrong configuration of the processes. On the other hand, extending the project will lead to cost overrun, exhaustion among the core team members and total dislocation of the day to day activities. A perfect balance has to be maintained between time and accuracy.
 - ∅ A CA can manage the project on behalf of the organisation. He/She should have good project management skills, ability to work on project management software like MS Project, Primavera, etc. Above all he should be able to get things done.
- (d) Well defined methodology
- ∅ ERP is nothing but planning. Planning has to happen before, during and after the implementation. No planning can be a success unless it has a definite and proven methodology. For every step in the implementation process, there should be a tested methodology. It is immaterial if the methodology is to be provided by the implementer, consultants or the organisation.
 - ∅ A CA can develop a good methodology for the whole implementation life cycle. While he is not expected to have the methodology for the implementation as such, since it will be the domain of the implementer, the CA should have a sound methodology for the AS IS and TO BE documentation, Selection process, Mater data verification, etc. This methodology should be updated regularly based on the experience gained in every implementation.
- ∅ Attending tutorials provided by the ERP vendors is a must to know about the features of the product. If the CA does not have the basic computer knowledge, then he/she should first update himself on the fundamentals before enrolling into these ERP classes.
 - ∅ The CA can also be a part of an implementation team in any organisation if he/she can get into one. This will give first hand experience about the implementation process.
 - ∅ Existing process knowledge is a must. A CA should spend considerable time in understanding the processes in an organisation and linking the same into an ERP.
 - ∅ Documentation will depend upon one's capability and imagination. There are number of methods to document a process. A CA should develop documentation skills and a library of the format for future use.
 - ∅ A CA should be able to use the CAAT Tools extensively. If one has to audit the system through the system, CAAT Tools are essential.
 - ∅ CA should also invest on certain basic audit tools that are essential for carrying out these assignments.
 - ∅ Every CA aspiring to get into this line of practice should also create a "Proof of Concept (POC)" lab within the office. POC is nothing but one or two computer systems dedicated for this purpose and loaded with all required programs, tools, methodologies, etc. This will enable the CA to test all the applications and Tools before it is being tried at a clients place.

ERP brings a gold mine of opportunity to a Chartered Accountant. It is up to him/her to make use of this bonanza. □

The Way Forward

- ∅ Abundant information is available in the Internet. One should spend time to sieve the information required and adapt it for one's requirement.