

A STUDY ON THE IMPLEMENTATION CHALLENGES FOR ERP IN SMEs INKANNIYAKUMARIDISTRICT

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Abstract

ERP (Enterprise Resource Planning) is a method for integrating an organization's data and procedures into a single system. Its fundamental objective is to unite the organization and integrated data and processes from all departments in order to facilitate easy access and a productive work flow. The current study focuses on the challenges SME's in the Kanniyakumari District have in implementing ERP. 50 SMEs from the Kanniyakumari District were chosen using a simple random sampling. Their biggest problem is that it is expensive to install and that the staff members lack sufficient information technology skills. SMEs must deploy ERP in order to survive in the global competitive marketplace.

Keywords: ERP-challenges–SMEs–Implementation

Introduction

As a result of information technology, enterprise resource planning is a method for combining all of an organization's processes, data, and functions into a single, integrated system. It does this by utilizing subsystems like hardware, software, and a common data store to integrate data storage for the organization's various functions. Currently, ERP is employed in practically every sort of business, regardless of size, sector, or industry. ERP unifies operations including human resources, supply chain management, customer relationship management, financial management, production management, and warehousing management. Integration is the key to ERP, which has lately been developed and tailored by the ERP provider for use across a variety of industries. Due to this, there is now a high desire for business organisations to use ERP in order to integrate and maximize their resources. ERP is in high demand as a result of this.

Origin of ERP

The word ERP was first used by Gartner Group in 1990 to describe an extension of material requirement planning. Later, it was replaced by the terms manufacturing resource planning and computer integrated manufacturing, but it did not completely replace these concepts. Not all ERP systems have a manufacturing foundation. Depending on the vendor, accounting, maintenance, or human resources come first. By the middle of the 1990s, ERP covered all of an organization's essential operations. Beyond businesses, governments and non-profit have also started using ERP.

Definition of ERP

The Gartner Group defined ERP in 2002 as a set of business strategies and industry-specific applications that increase shareholder value and customer value by enabling and optimizing internal and external collaborative operational and financial processes at the enterprise and inter-enterprise levels. ERP is defined by Weston to comprise hardware, software, and technical issues as well as a technology planning and execution issues that support business processes. ERP is a fully integrated enterprise information system that is used by GE and VOB to handle all facets of an organization's business operations, including production, purchasing, engineering, design, manufacturing, sales, marketing, distribution accounting, and customer service.

Benefits

The quality and productivity of the firm can be significantly increased through ERP. ERP can result in improved output for the business in areas like manufacturing and customer service. ERP helps top level management by giving them access to crucial decision-making data. The top level management will be able to make managerial decisions through this decision assistance that will benefit the company in the long run. A more flexible business that is better able to respond to situations and changes is another benefit of ERP. ERP helps businesses become more adaptable and less rigidly structured in an effort to improve internal and external business performance by fostering greater cohesion among the many organisational components.

Statement of the Problem

The ERP integrates activities and makes the most use of available resources. The need to compete globally, enhance revenue growth, become a low-cost producer, and make the most of resources are driving up demand for ERP. Small to medium-sized enterprises (SME) typically have limited human capital, simple, less complex organisational structures, low levels of staff specialization, and a focus on local and regional markets. So, it is unclear how these SME can leverage the advantages of the ERP system. As a result, the author conducted research to determine the challenges SMEs in the Kanniyakumari District had when attempting to implement an ERP system.

Scope of the study

The scope of the study is to identify the challenges that SMEs in the Kanniyakumari district encounter when using ERP.

Objective

Finding out the challenges faced by SMEs in implementing ERP is the study's main goal.

Methodology

Both primary and secondary data are used for the investigation. By using a random sampling technique, primary data are gathered from 50 SMEs in the Kanniyakumari district. Books and journals are used to gather secondary data. The Garret ranking technique is used to analyse the data.

Review of literature

Dutch and Light (1999), the software in the ERP system needs significant work on system analysis and design, yet there are implementation problems.

In 1999, Al Mashari and Zairi, to deal with employee resistance to change, an ERP deployment strategy needs to be carefully planned. The team must have both business and technical expertise. In order to know what has to be done to support key business operations, one needs knowledge of the business functions and products. (Rosario, 2000).

According to Gisha. P. Mathai (2015), SMEs in India have issues due to a lack of bank credit facilities, infrastructure issues, a shortage of raw materials, a lack of technology, etc. In their study, they made several recommendations regarding the challenges in setting up training and development awareness programmes, facilities for research and development, meetings with consultants, etc.

The majority of the six challenges identified by Mishu Tripathi, et al. (2016) are focused on and elaborated with multiple dimensions. These challenges include the lack of accessible financing and credit instruments, complex regulatory policies for starting a business, a lack of modern, affordable technology, a lack of basic infrastructure facilities, rigid labour laws, and a shortage of skilled labour that is available at a reasonable price. It comes to the conclusion that the government needs to put certain initiatives in place to support SMEs.

Limitations of the study

1. The survey only included 50 SME businesses in the Kanyakumari district.

- The information and opinion are based on information that SME managers have provided from memory.

Analysis of Data

The Garrett Ranking technique is used in the data analysis. With the aid of Garrett's Table and the % position estimated in turned into scores, the challenges faced by survey respondents are ranked using Garrett ranking technique.

Table 1: The Challenges SMEs have in Integrating ERP in the Company

S.No	Factors	Score	Rank
1.	Costly	4.736	I
2.	Choice	3.656	VII
3.	Lack of knowledge	4.315	II
4.	Attitude of top management	3.516	VIII
5.	Poor infrastructure	3.883	V
6.	Employee competence in information system	3.716	VI
7.	Insufficient I.T. Resources	3.986	IV
8.	No proper records	4.019	III

Source: Primary Data

The cost element is clearly the first major issue, followed by a lack of knowledge (4.315), improper records (4.019), and poor infrastructure (3.883). The least important challenges are those involving top management's decision and attitude, staff competency in the information system, and employee choice.

Conclusion

The study identified three issues in the Indian context: high costs, inadequate expertise, and inadequate books of accounts. It will be easier for SMEs to install ERP with the necessary top-level management assistance and vendor support. The SMEs market is still a "bed of opportunity" for ERP providers, so they should step forward and explain the benefits to the company. Companies need to deploy ERP to streamline processes in order to increase production, efficiency, and save costs.

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