

Boost productivity with an ERP system

Q: The recent announcement to enhance the Increase SME Productivity with Infocomm Adoption and Transformation (iSPRINT) scheme is likely to encourage more SMEs to adopt high technology. Which technology should they consider? How does an Enterprise Resource Planning (ERP) system help SMEs to increase productivity?

A: Over the past few years, the Singapore government has embarked on an aggressive push for productivity-driven growth in the economy. Research has shown that investment in infocomm technology is a key driver of productivity. So the Infocomm Development Authority of Singapore (IDA) has rolled out an Infocomm@SME programme to help small and medium-sized enterprises (SMEs) achieve greater competitiveness and growth via the adoption of infocomm technology.

Under the Infocomm@SME programme, SMEs can apply to IDA's Increase SME Productivity with Infocomm Adoption and Transformation (iSPRINT) scheme to defray their investment costs. On Aug 24, Minister for Information, Communications and the Arts Yaacob Ibrahim said the iSPRINT scheme would be enhanced to include all SMEs.

Previously, only SMEs adopting high technology for the first time were eligible. SMEs can now apply for up to 70 per cent of qualifying expenditure, up from 50 per cent previously. The grant cap for the packaged solutions category will be increased from \$10,000 to \$20,000. Customised solution purchases are not subject to the cap and are approved by IDA on a case-by-case basis.

With such generous support from IDA, SMEs should consider adopting an Enterprise Resource Planning (ERP) system to increase their productivity. An ERP system integrates all of an organisation's activities into one accounting information system. It in-

tegrates the major business functions, such as sales, purchasing, logistics, human resources, accounting and business reporting.

A centralised database exists at the heart of each ERP system and facilitates information flow across the various business functions to support organisation-wide business processes. This is important as key business processes, such as the revenue and expenditure cycles, are inter-related and would require information from different parts of the organisation. For example, a customer order event in the revenue cycle may trigger the purchase of inventory in the expenditure cycle.

In the start-up phase of an SME, operations are simple, headcount is low, and processes are manual. As it grows, operations expand in scale and complexity, and information becomes disparate.

To increase productivity and maintain data governance, it is essential that information is standardised, controlled and integrated. Without an ERP system, data may be trapped in silos.

For example, Positive Engineering, a fashion designer for buildings, implemented an ERP system to integrate 10 separate databases. The new ERP system enabled the company to eliminate the repetition of data input, minimising data-entry errors and reducing the invoice generation time from 20 minutes to just one minute.

SPRING Singapore unveiled an \$86 million plan in April 2011 to support SMEs in the retail industry to boost productivity. Under this plan, SPRING Singapore urged SMEs to adopt ERP systems to achieve pro-

cess excellence for efficiency. Many SMEs in the highly competitive retail sector have since implemented ERP systems to enhance their decision-making by making data available in a timely manner.

For example, Heatwave, which specialises in women's shoes, customised its ERP system to keep track of its sales and inventory. For Heatwave, which offers thousands of different shoe designs in various sizes, keeping

track of its sales was not an easy task. The implementation of an ERP system has enabled it to gain access to real-time information to cope with rapidly changing fashion trends.

The system has also provided Heatwave with sales performance data for all its shoes. This allows the company to promptly identify fashion trends and designs that have proved popular with the customers. As a result, Heatwave is able to make better decisions and allocate resources more effectively.

In addition, a key concern for all retailers is inventory management. With the ERP system, Heatwave's inventory management is enhanced by sending an alert when its inventory reaches a critical level. Such analyses would not have been possible without an ERP system.

Another SME that has invested in an ERP system to keep track of its sales and inventory is DNR Wheels, a provider of disability and rehabilitative equipment. Similarly, it harnesses the ERP system to analyse the sales performance of all its products. This way, the company can easily identify fast-selling and slow-moving items. The sys-

tem also sends out alerts whenever an item is running low in stock.

Manpower shortage is another key concern facing retailers. Due to the foreign employees quota set, retailers have problems recruiting staff. To overcome this constraint, Juzz1, an IT retailer, invested in an ERP system to automate its operations and streamline its processes.

Automation achieved by the ERP system enables Juzz1 to increase the productivity of its existing employees and deploy its limited manpower efficiently. Raising the productivity of existing workers is critical for the expansion of retail SMEs, as there are constraints on increasing headcount amid a tight labour crunch.

It is essential for SMEs to equip themselves with an ERP system to boost productivity. An ERP system enables SMEs to become more responsive to changing business conditions. With this system at the management's disposal, decision-makers will get what they want: integrated, real-time and accurate information. However, as with any technology, companies should consider their business needs before adopting an ERP system.

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