

THE ISSUE OF IMPLEMENTING SAP HUMAN RESOURCE IN SMALL MEDIUM ENTERPRISES

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ABSTRACT:

Enterprise resource planning (ERP) systems are increasingly becoming commonplace in the small and medium enterprise (SME) sector and are being viewed as one of the prime ways to achieve competitive advantage and to reengineer processes. ERP software is aimed at combining the disparate sources of information within an organization into a central database. Since each data element is populated only once it eliminates multiple data entry and ensures better data visibility within the organization. The ERP systems typically encompass all functions including finance, sales, Customer Relationship Management, accounting, manufacturing, payroll, etc. The apparent benefits and economically attractive initial price of the ERP systems has developed an increasing interest within SMEs which view these systems as a remedy to achieve competitive advantage. A large proportion of ERP projects end in failure and this prospect seem more likely and devastating for SMEs because of unclear objectives and a confused understanding of what and how any ERP system can help in achieving performance improvement and competitive advantage.

KEY WORDS: Enterprise Resource Planning, System Analysis Protocol, Organizational Management and Payroll, Employee Self Service and Personnel, Development Skills.

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Introduction

Technology plays a major role in today's business environment. So many companies and corporations have adopted information technology on a large scale by using Enterprise Resource Planning (ERP) systems to accomplish their business transaction and data processing needs. And in this technology System Analysis Protocol (SAP) R/3 plays a significant role when compared with other similar too. The reason for Small Medium Enterprises (SME) to adopt the use of ERP systems are dealt with.

ERP system takes a lead role because of some of the following reasons:

The main advantage is that SAP Business one helps the organization to run functions like purchasing, inventory management and customer relationship management all under one flexible, responsive system. Some of the advantages are:

- Get a complete view of the business with a single accurate source for all critical, up to time business data and allows the user for instant access to the right information when the organization runs a business.
- Take proactive control of the organization's business through automatic alerts, work flows and response to key business events and customer needs.
- Expands business and customer based Customer Relations Management, and e-commerce capabilities. The organization can view across sales, distribution and financials helps to serve customers faster and easier.
- The organization can stream line their operations by seamlessly integrating sales, purchasing, inventory and financial and can eliminate redundant data entries and errors.

THE SELECTION PROCESS:

The Selection Process features the standard phases of planning, identification, evaluation, and selection. The basic steps are:

PLANNING:

Each individual department should discuss the benefits obtained through the mapping of the future state and how it can be achieved using an ERP system - A technique applied within a

company was to dummy run the processes on simple software like Microsoft Excel to enable detailed understanding of the potential requirements.

IDENTIFICATION:

This stage identifies the potential candidates, developing a software and vendor shortlist criteria and develop an invitation to tender and some of the features are:

- List the unique features of the company.
- Gather information about prospective candidates and narrow down the candidates and invite them to visit the company and gain an understanding of where the organization wants to head towards.
- As ERP systems are not widely implemented in SMEs, the experience of vendors and the vendor profile becomes extremely critical. The vendor short listing criterion aims at identifying these features in a structured manner.
- Obtain an insight into the systems by attending seminars or communication with people using ERP systems in similar manufacturing sectors.
- Involve people within the organization to build interest and optimism about the new system and invite suggestions from everyone in the organization.

EVALUATION:

Arrange a workshop to short list the final candidates and some of the key features are:

- Include as many members as possible for the workshops which should be ideally developed around company data. The vendors can be evaluated based on a rating scale.
- It is also advisable for the project manager to implement from the vendors.
- Reference visits can be done which are done by the vendor and which can be contacted easily. Reference can be based on type of industry, similar size, lessons learnt, software version etc.
- Evaluate vendors on software, implementation, hardware, and cost.

SELECTION:

- Ensure all the aspects like software, implementation, hardware, and AMC.
- Ensure the plan for payment dates and breakup of the total cost including interest rates.

SAP R/3 is one of the options that can be used in Human Resource Department. SAP R/3 is also called SAP ERP. If SAP R/3 is implemented it can be used in four areas of human resources, financial, supply chain management and marketing. R/3 is scalable and highly suited for many types and sizes of organizations and runs on six different platforms. R/3 is also an international product, and meets the local fiscal, language, and tax requirements of most countries.

Using R/3 many functions in Human Resources department can be adopted and provide for a “single entry data point” where the data entered from any location is instantly sent to all other appropriate modules in the ERP system. SAP sells its R/3 product on a ‘price per user basis’. The actual price is negotiated between SAP and the customer and therefore depends on numerous factors which include number of users and modules. The major drivers of the total implementation cost are the Timeframe, Resource Requirements and Hardware.

- Timeframe – the absolute and quickest implementation is 45 days.
- People – the smallest of SAP implementations can get done on a part- time basis without outside help.
- Hardware – the smallest SAP implementations probably uses only three instances one for the production system, one for test, and one for development.

IMPLEMENTING SAP Human Resource

To implement SAP HR it includes product definition, project definition, deliverables and materials, purchased services, responsibilities, payment type, payment plan, laws, validity and several other similar items depending on the project and scope. **MySAP** is one of the packages built for SAP Human Resource. To have better control over implementation time and costs, mySAP HR can be implemented in phases. When implementing HR and payroll, the following phases would offer a good solution:

Phase1: Master Data, Time Management, Payroll, Benefits Administration, Organizational Management and Payroll.

Phase 2: Personnel Development, Recruitment, Training and Events, Travel Management and Compensation Management – this phase can be broken down further.

Phase 3: Employee Self Service, Manager's Desktop Costs of Employees on the Project Team not able to perform their normal jobs.

Some of the functions that can be done in SAP HR Personnel Administration are:

- a) Personnel Development Skills and Career planning and Succession planning.
- b) Insurance: In this info type the HR can maintain data of insurance taken by the employees and it can be used to store:

- Insurance type, Insurance company, Insurance number, Insurance tariff, Disciplinary Action and Grievances

In this information type the HR can store disciplinary action and grievances of employees and the HR can have access to:

- Grievance number- The HR can assign a three digit number to identify specific grievance - Date entered, Supervisor, Policy-related and Grievance status.

At the end of the day the employee may be exonerated, warned or dismissed. In the case of grievances, the grievance may be dismissed, or redressed.

- c) Wage type - Wage type is the vehicle of payments and deductions in SAP payroll. Wage types have multiple properties and they are:

Payment to/ deduction from employees, Financial posting, Taxability

- Wage types are printed on pay slips

- d) Basic pay - Payments or deductions are specified in wage types.
- e) Loans - This info type is used for creating loans for employee. The loans in SAP come under one of the following categories which determine their behavior:

- Annuity loan (Fixed periodic repayment. The interest is recovered first, balance goes towards principal repayment)
- Installment loan (fixed principal repayment + variable interest)
- Recurring advance(no repayment, no interest)
- When a loan is created, the system checks whether the employee is eligible to get his/her loan.

SAP lets HR decide whether it is the first day of the payroll period, the last day, in the middle of the period, or the payment date. This impact interests computation.

f) Additional Off-cycle payments

If the HR wants to pay some employee in between the payroll period, SAP allows the user to run an off cycle payroll and the important fields are:

- Wage type, Amount and currency- The user can enter the amount to be paid or deducted.
- Number/Unit- The user can enter the number and its unit. This field can be used to convert number in amount during payroll run. It can be used to keep related information, which can be printed in the pay slip.
- Payment date and Payroll type

g) Application

Main significance of an application in SAP recruitment process is that it helps the HR to determine the effectiveness of advertisement, recruitment instrument and medium. Another significance of an application is that activities are performed for an application.

Some of the important fields are:

- Advertisement, Unsolicited application group, Vacancy assignment, Priority and Vacancy and Vacancy assignment status

Suggestions and Conclusion:

If SAP is correctly implemented there is no fear. The organization should not be afraid of implementing mySAP HR by avoiding certain pitfalls and paying attention to crucial factors such as clearly defining the project scope, having the whole company fully committed, supportive line managers, a fast decision making policy, a competent project team and well trained users. The organization can implement mySAP HR with minimal costs within an optimum frame. The selection of an ERP system begins and ends with a realistic estimate of what the value-adding processes should be. There is an immense scope and opportunity for incorporating lean tools of value stream mapping and process flow diagrams to set the most efficient underlying flows before they are codified in an ERP system. It helps structure the processes and also bring out specific areas of standardization. It is also used for decision making and analysis. The ERP system

selection has to be a decision system and it is imperative to involve as many end users as possible either directly or indirectly in understanding needs and expectations. Cost is a key concern to SMEs, and each element of the cost needs careful consideration and pessimistic estimates are likely to reflect the true figures. This new technology will make the organization more efficient, strategy focused and ultimately more profitable, fit for today and tomorrow's economy.

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