

ERP Application in SMEs in Vietnam Limitations, potentials and development solutions

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Abstract

Application of information technology in management in general and accounting work in particular is an inevitable tax of enterprises in the context of economic integration today. According to the Ministry of Information and Communications, in June 2008, 86.5% of enterprises in Vietnam are applying at different levels, of which only 7% of ERP applications. ERP is a business process integration tool on a centralized database base. Moreover, ERP is considered an optimal solution to help businesses improve their capacity in the fierce competition tax today and overcome the space and time limitations thanks to the ability to share. And link between parties. Therefore, the application of ERP in the operation of enterprises is an issue that many businesses are interested in.

Keywords: small and medium enterprises, ERP, Vietnam, limitation, potential, solution

1. Introduction

Small and medium enterprises play a very important role in the economy as contributing to promoting the development economy to increase competitiveness and create jobs for workers. As a result, a large number of studies show that the ERP implementation in Vietnam has received much attention since 2003. According to the PC World Magazine (Computer World No. 87, January 2008), companies have implemented Early ERP projects in Vietnam can include Bao Minh (implemented 2003), Southern Steel (2003), and Vinatex (2003). In the following years large-scale ERP projects are deployed simultaneously in companies such as Saigon coop, Bibica, Savitex, Southern Food Corporation, Vinamilk. Small businesses have also begun to deploy micro-solutions and businesses have created very modern production processes through ERP applications.

However, Vietnamese enterprises are still very confused in choosing ERP solutions in accordance with their specific conditions. They lack information on ERP systems, weak consulting capacity and many suppliers aim to sell solutions, collect deposits on the completion of proper project implementation. At this point, the choice of the business will depend mainly on three factors: one is the name of the solution, the second is the name of the solution implementer and the third are the books and magazines about ERP. Some large enterprises seek independent consultants such as Vinamilk, Thu Duc Housing Development Company to hire KPMG and REE to choose a consulting partner, E&Y Company. on business, production process and also understand about ERP solutions together with the ability to analyze and assess the situation in the enterprise can quickly make the necessary requirements for the appropriate solution package. The companies providing and deploying ERP in Vietnam sometimes also carry out the work of a consulting unit. In case the deployer is strong enough, the team is good and experienced, combined with the team of enterprises applying dynamic and determined, can still successfully implement the ERP project without independent consulting services. In Vietnam we often

encounter two problems in finding ERP solutions for the company. Usually the two parts that are trusted to do this are the IT (IT) department and the accounting department. The usual IT department in a large company is very important. Sometimes this department writes software for those companies themselves and has many companies that use it very well. It is also the investment from the beginning of that company. In order to successfully implement ERP, businesses need to dispose of stereotypes, look at the overview, analyze and deploy in a sequence and methodical way, working closely with the ERP implementation unit. Especially ERP software requires great persistence of the deployment team. Many Vietnamese enterprises now only vaguely argue that it is necessary to believe in enterprise or follow the integration trend so that they are eager to upgrade their corporate governance system, but have not really grasped the core of the problem. Although the strength of ERP for foreign enterprises is undeniable, but with domestic enterprises, whether to take full advantage of the power coming from this enterprise management solution depends on many elements of weaknesses to overcome, typically people and especially leadership.

According to the survey results, all businesses believe that the capacity of consultants-implementers, the role of leaders, the role of the project team is considered to be important to Successful ERP application.

Besides, in theory, the existence of an information system integrated in the ERP environment is seen as a demonstration of the economic value of information systems brought to businesses. Shaping the determinants of effective ERP projections is shown at the analytical level as the whole organization. In practical terms, the study clarifies the value of information systems in enterprises as well as there are not enough empirical studies in the business environment in Vietnam on a value assessment model of the business-wide information system after deployment.

2. Methodology

The source for research of the topic is mainly domestic and

foreign magazines and scientific reports, curriculum in business administration and information technology and some reputable websites on the internet. In addition, the research concepts are generalized to build the original research model based on the existing theory. The development of the measurement scale begins with the records of observed variables presented from past research. The list of observed variables was commented by the expert group on ERP enterprise resource planning system and supported to sort into each relevant research concept, after recognizing the measurement variables and scales tested before putting it into a draft survey. The official questionnaire with data form is 316 businesses operating in Vietnam with information application integrated information system in the ERP environment.

3. Research Results

Our research results have identified the biggest challenges businesses face during the implementation of a new ERP software project. Feedback has shown that the shortage of personnel involved is the biggest problem that ERP software project teams often face (38% think this is the biggest challenge). Some other enterprises find that the lack of professional knowledge on ERP is the biggest challenge (33%), while 19% think that the main problem is the lack of resources for the project. The remaining 10% determine the problem facing the project budget

Surprisingly, there was no response to the lack of support from the Board of Directors. Because Panorama has worked with some customers who have encountered this situation and we think that the lack of support from the Board of Directors may be the root cause of these challenges. These results demonstrate that the project team's close linkages, the effectiveness of transition management and the quality of participating team training are the determining factors in the success of ERP implementation. In our experience, customers who overlook the importance of transition planning and management will often face the shortage of human resources involved and expertise in ERP software solutions.

In addition, only 7% of projects completed on time or as expected. 93% of respondents said they had implemented longer than expected, of which 68% said they had "much longer" than expected. In addition, there is no enterprise that has completed implementation earlier than planned. The study also showed that enterprises deploying ERP software solutions usually last from 04 to 60 months. Most projects (71%) are completed in 6 to 18 months. However, a significant number of ERP deployments have not been fully completed, so this may reduce the time needed to fully implement a comprehensive ERP software system.

This suggests that many ERP software vendors may not have met the expectations of customers about the time of project implementation. According to research as well as own experience, most ERP software projects successfully deployed are those of businesses that have evaluated the time and effort required. Although ERP software can be deployed in a very short period of time people are completely discouraged especially when there is not enough internal and external resources to support the project. At the same time, through research, we can recognize the benefits and limitations that businesses are facing when applying

ERP to their business operations:

3.1 Benefits of using ERP

i) For the business itself

- Standardize the business management process, apply IT tools in management to help businesses standardize business processes, put those processes into production and business.
- Increasing the competitiveness of enterprises, along with the above mentioned factors, providing and using information promptly and accurately is one of the important factors in today's competitive economy.
- Create the ability to integrate with the world economy, especially in the current period of economic globalization. The application of IT, world standard ERP solutions, providing financial information clearly creates confidence for foreign / domestic partners in business cooperation, stock investors of the joint venture.
- Creating a premise and improving the ability to provide added services. The use of IT achievements in management helps businesses increase their ability to adapt to the market, expand the types of services for customers, increase access to markets and customers. It also helps businesses to identify risks to improve the governance structure and optimize costs and profits.

ii) For managers

- Enhancing the ability to manage, monitor and administer businesses, use modern tools, expand access to information to help managers perform their jobs quickly and conveniently.
- Improve production and business efficiency, reduce costs. That is an optimal use of resources including manpower, material resources, and finance in production and business.
- Solving "Spend less - Know more - Get more" problem, the problem of increasing business efficiency with the least cost and the least amount of work to be done.

iii) For analysts

- Staff analyzes and evaluates accurate and timely information through the system of information storage solutions, information support, decision making, etc.
- Implementing operations according to a unified and standardized process. Reduce paper workload, increase labor productivity.
- Improve the discipline and create a habit of working according to processes and norms at work.
- Increasing the ability to work in groups and individuals in a work process, and according to the assignment and the coordination between individuals in work is essential.

3.2 Disadvantages of using ERP

Enterprises that have implemented ERP systems mostly have complex production processes and organizational models, and need management accuracy. In fact, ERP is not for everyone. Although seeing the benefits and efficiency when applying the ERP solution, but the price is not small for an ERP project is also a significant investment should be considered. Only medium and large enterprises, investment funding is no longer a hindrance, the "payback" time can be

determined relatively quickly to be bold with ERP. The reason is explained that the level of personnel from the management level to the lower level of Vietnamese enterprises has not been met, the human resource capacity is not uniform, the production process has not been standardized, so it has to be changed to adapt to hot development. ERP solutions must force the system according to the backward process of the business will not bring the desired effect. With many manual production processes, calibrating the right enterprise ERP solution becomes a "nightmare" for suppliers. There are even businesses that have implemented but not fully utilized the system capacity with many places only stop at the control level. Another reason for ERP implementation companies in Vietnam is that the number of excellent experts in this field is too small and not all suppliers own good experts. To implement an ERP system for an enterprise, 80% of the workload is consulting and only 20% of the volume is technical work. However, most of the companies implementing ERP in Vietnam are still "inexperienced", weak human resources, and not reputable enough, their team of consultants only stops at the development level declared, lack of ability to advise customers about business processes. Difficulties from many sides still confuse many businesses before ERP, although the benefits of managing IT in management are already obvious, and the market is not lacking in great competitors when it has successfully applied ERP for many years. Each enterprise itself needs to cultivate their own knowledge of ERP and ERP project implementation process so that it really brings the highest benefits to the business instead of just depending on the suppliers.

4. Conclusion and Recommendation

Businesses often face difficulties in learning to acquire new technology, change processes in the enterprise to match the software process, lessons learned from the ERP implementation experience of companies. There are also lessons for other businesses that want to deploy. Need to choose the right software for your company's situation. For ERP applications, there is a need for multi-faceted support, but the most important is ERP vendors and businesses. The following are some of the key success factors drawn from enterprises implementing successful ERP business software solutions:

- a) First focus on business processes and identify requirements, should not be too focused on solutions and techniques
- b) Focus on achieving a reasonable return on investment (ROI), identify performance measures and performance after going-live.
- c) Commit to closely managing projects and resources for the project.
- d) Commitment of the Board of Directors
- e) Spend time planning
- f) Focus on data (production and business data...)
- g) Full training and conversion management
- h) Understand the purpose of ERP software

Besides, in the process of operating, every time there is a need for software to manage businesses, they will invest in separate software. However, the deployment of a professional ERP solution with small and medium enterprises is too far away when it comes to concerns about

costs and responsiveness. Some software for small and medium enterprises are highly effective:

- AMIS online software. This is an excellent solution for connecting and processing information for small and medium sized businesses and regular users who are not at the office. Managers and business leaders can view data, view financial, business, and personnel reports to make decisions at any time, anywhere, just need an Internet connection.

ERP software Vietnam. This is the best open source enterprise management software for small and medium enterprises. Built on the open source platform Odoo, ERPViet enterprise management software provides all the necessary features for business administration, and a simple administration interface is easy to use for enterprise. Outstanding characteristics of ERPViet enterprise management software:

- Built on customer base, easily customized according to customer needs
- Simple, friendly and easy-to-use power delivery for people who do not have IT knowledge
- Easy to expand according to the scale of each time of the business
- Implementation costs are much lower than copyrighted ERP software
- Easily customize modules according to the actual requirements of each business
- Provide the best corporate governance features
- Be closely integrated with online marketing tools
- Open source leading to low cost, easy to customize.

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