Business Growing Pains?

How to Tell When You Need a Modern ERP Solution

Straight Talk About Business Growing Pains

When your company started, you probably managed perfectly well using small-business software to provide basic bookkeeping capabilities. But things have changed. Your company has grown: You have more customers, more employees, more data, and more automation requirements.

Now there's nothing small about your business, and you need more from your software for your business to succeed.

Or, maybe your business has an ERP system in place, but your company has grown to the point where you simply need more. You need more visibility and transparency to really know what's happening with your business. Your aging system can't support your needs for mobile access and greater flexibility.

Implementing a more modern ERP system can help such departments as finance, sales, operations, HR, customer support, and others better communicate, share data, and increase efficiencies.

Implementing a new business management solution requires investment of time and money, to be sure. However, consider that an inadequate system could be costing you money now—sapping your productivity and softening your competitive edge. Consider the hidden costs of inadequate visibility, system down time, and slow processes.

So how can you know whether it's time to take the next step toward a more sophisticated business management solution? This paper will provide you with questions to consider as you look to relieve your growing pains.

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Change Before You're Forced to:
12 Key Indicators You're Ready for ERP

You make sure your car receives proper maintenance to avoid major problems. Wait too long to get add oil and your engine will seize. The same is true with your business. By the time you know that your current systems are inadequate, you are probably losing money to reduced productivity, lost opportunities, poor data quality, and insufficient information to make insightful decisions.

If you are seeing warning signs that your system cannot keep up (data inaccuracy, slow turn-around, time-consuming, or manual processes), it's time to begin your needs analysis (see sidebar for tips).

Ask yourself if your company currently experiences any of the issues below. If the answer is "yes" to more than a few, then a modern ERP can probably help your business significantly.

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1. Does your system suffer from low performance? (Imagine how your customer feels waiting on the phone for information.)

2. Is key information needed to make accurate decisions unavailable throughout your company? Do you lack the visibility you need?

3. Does lack of flexibility interfere with your company's ability to keep up with complex business processes? Are you unable to make the adjustments you need to manage your business successfully?

4. Is slow report processing or lack of reporting preventing your company from making timely decisions?

5. Does your company rely on manual reporting processes using programs like Microsoft® Excel® to manage information?

6. Is the productivity of your employees inhibited by your existing system? How much more could they do with a faster, more feature-rich system?

7. Are industry-specific requirements beyond the ability of your current system?

8. Does your company have difficulty or fail to meet regulation compliances, such as International Financial Reporting Standards (IFRS) and Sarbanes-Oxley? Have you incurred auditing fees due to inadequate processes now in place?

9. Are you supporting global customers—or hoping to expand into multiple countries? Can your current system support multinational transactions with different currencies and languages? Can you automatically handle global commerce and tax requirements?

10. Are employees, partners, and vendors unable to access company data over the Web remotely via PCs and mobile devices?

11. Is the production of consolidated financial statements difficult, time consuming, and error prone? Can you easily perform intercompany transactions, or do you find yourself doing too much manual work with your current system?

12. Do you want to use your system to automate core business processes around job costing, CRM, industry specific requirements, and supply chain management?

CFOs are under increasing pressure to use information in their ERP systems to make strategic decisions and protect their companies from regulatory risk.

STEPS TO PERFORMING A SYSTEM NEEDS ANALYSIS

Many professional systems analysts use these steps to evaluate business requirements. Keep them in mind as you evaluate your solution needs.

- Determine key areas that are automated with your current system
- Define what works in your current solution and what you cannot live without
- Specify current challenges that need to be solved
- Investigate and document manual operations that need to be automated
- Establish what information is currently pulled from the system and which information is required
- Identify and map the information that flows through your current system
- Frame the informationsharing requirements among your accounting/finance team and other departments
- Distinguish all the different types of reports required
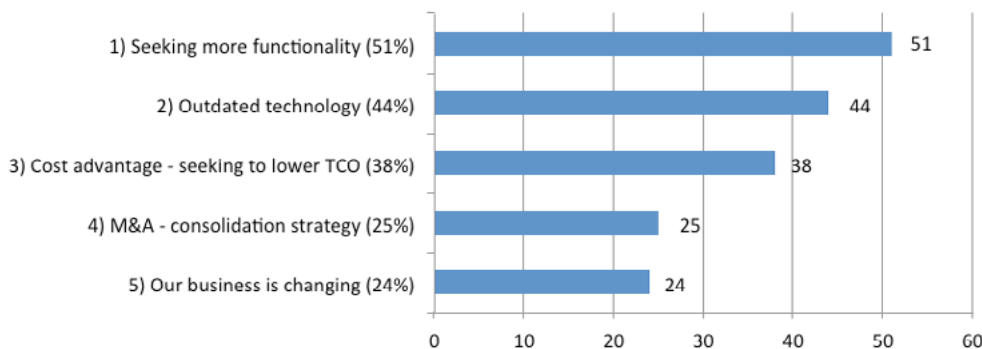- Ascertain the level of accounting and computer experience of potential system users

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Why Businesses Move to ERP: **Survey Results**

So now that you've considered your own growing pains, how does this match up with what other organizations experience? How do other companies decide when it's time to make a move?

According to a survey by industry analyst Mint Jutra, LLC, 38 percent of respondents said their company changed ERP systems in the past due to lack of functionality, outdated technology, or an inability to scale.

When all respondents were asked why they might replace their ERP system in the future, the group offered the following top reasons:

Top 5 Reasons Companies Would Replace their ERP System

| Reason	Value
1) Seeking more functionality (51%)	51
2) Outdated technology (44%)	44
3) Cost advantage - seeking to lower TCO (38%)	38
4) M&A - consolidation strategy (25%)	25
5) Our business is changing (24%)	24

Source: Mint Jutras 2011 ERP Solution Study

Other reasons provided in the survey include integration issues, consolidation strategies, extensive customizations that prevented their business from keeping pace, as well as scalability. The survey represented companies of all sizes based on annual revenue.

In addition, the Mint Jutras report measured the different results in cost saving experienced by the respondents in implementing a "world class" versus an "ordinary" ERP system. To be classified as a "world class" ERP, Mint Jutras uses the following criteria: actual measured results experienced since implementation, progress made in achieving company-specific goals, and current performance in selected key performance indicators. The chart below shows the percentage of reduction in various costs for manufacturing and distribution companies.

Different cost savings experienced by a *World Class* versus ordinary ERP
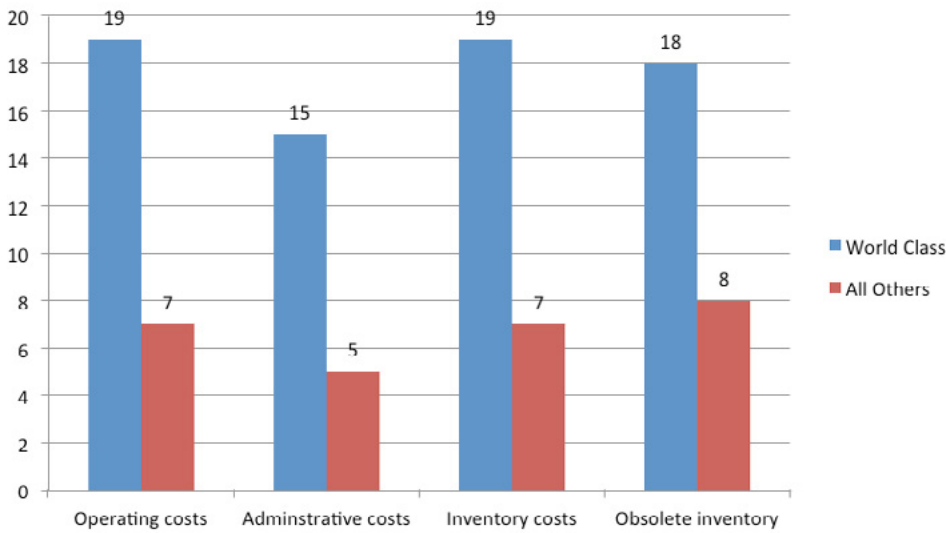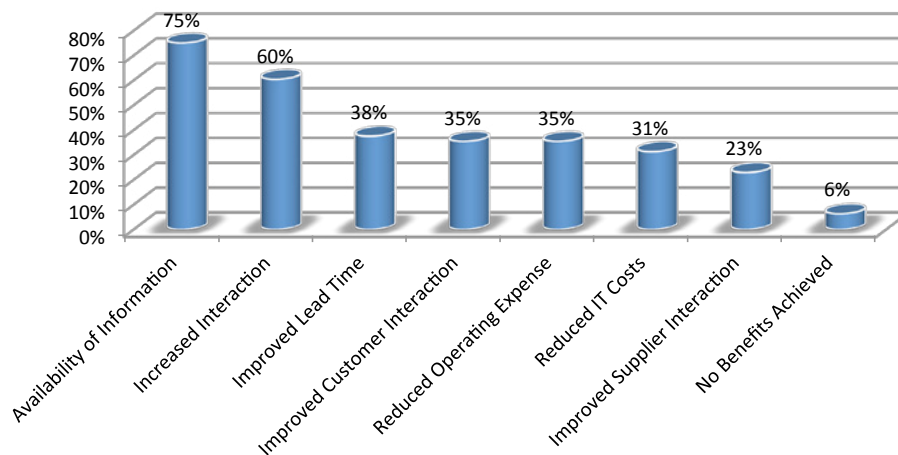

- Graph shows % or reduction in costs
  Source: Mint Jutras 2011 ERP Solution Study

Using ERP to Maximize Shareholder Return

According to Panorama Consulting Solutions, an IT advisory group specializing in ERP engagements for mid-to large-sized organizations, more than six in 10 companies implement ERP solutions with the goal of improving business performance. Organizations typically find that ERP solutions enable them to improve interaction with customers and suppliers, reduce costs, and improve lead times, as illustrated in this chart from the firm's 2012 survey.

Types of Benefits Realized

- Source: Panorama Consulting Solutions, 2012 ERP Report

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Today's ERP systems integrate all business management functions with a single system, which enables executives and managers to see what is going on throughout the company in real time. That in turn allows for such benefits as improved efficiency, productivity and profitability; increased scalability; and actionable business intelligence.

Clearly one of the key elements to consider when looking at ERP is not simply operational, but strategic. The role of financial officer is changing in business today, according to a 2012 global consumer products survey by Deloitte. CFOs are under increasing pressure to use information in their ERP systems to make strategic decisions and protect their companies from regulatory risk.

"Most consumer products companies have already established new finance operating models underpinned by integrated ERP systems and characterized by shared services for transaction processing, centers of excellence for specialist skills areas such as treasury and tax, and refocused in-market finance functions," the report notes.

"Businesses that build on this by developing the right finance competencies and skills supported by the right information strategies and business analytics tools will acquire capabilities that make a real difference to succeeding in the market and deliver optimal shareholder returns," Deloitte adds.

It's important to ask whether your current systems can deliver this kind of competitive market advantage. At the end of the day, that may be the most important indicator of whether your business needs a more robust ERP solution.

Sources

"Global powers of consumer products 2012: connecting the dots." Deloitte Touche Tohmatsu Limited. pp. 13. Retrieved June 2012 from http://www.deloitte.com/assets/Dcom-Guam/Local%20 Assets/Documents/Global%20Powers%20of%20CP%202012_Deloitte_Web.pdf

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Case Example:
GARLAND INDUSTRIES

Manufacturer and distributor Garland Industries was using a homegrown ERP application that simply lacked the integration options, quick data access, and reporting capabilities the organization needed to stay on top of its rapid growth and expansion. The enterprise was struggling to effectively analyze financial data and streamline business processes across its 11 separate companies.

After implementing a more robust ERP system, Garland gained the business intelligence it needed, plus the ability to share that information easily across the enterprise. Manufacturing tasks were streamlined, saving resources and improving accuracy. Sales representatives became more efficient as well. The new system enabled them to use the Web to place orders, view reports, check on open orders, and monitor customer invoices.

This is just one example demonstrating how employing the proper ERP can help you better run your business day-to-day, quarter-to-quarter and year-to-year.

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