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Sage ERP | White Paper

An ERP Guide to Driving Efficiency



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Executive Summary

Improving business efficiency is a perennial concern for any company that hopes to achieve “best-in-class” operations. Businesses that successfully improve efficiency stand to reduce operating costs while improving the effectiveness and profitability of their operations. They also gain time to devote to strategic planning. While many companies employ siloed applications and manual business processes, best-in-class companies are more likely to fully exploit ERP technology.

This white paper describes how ERP technology can improve efficiency by:

- o Standardizing and automating business processes—locally as well as across multiple locations and countries—to accelerate business operations.
- o Offering a fully integrated suite of business management applications that share a common dataset and extending these applications over the Internet, allowing visibility and collaboration across departments, as well as with customers, partners, suppliers, and remote users.
- o Providing flexible and customizable reporting to improve business reporting, analysis, and insight.

Best-in-Class Organizations Look to Enhance Efficiency

Companies that wish to operate in a “best-in-class” manner are continually on the lookout for ways to improve the efficiency of their operations. By operating more efficiently, companies have the opportunity to reduce operating costs while improving profitability. They are also able to redeploy existing resources from time-consuming, manual administrative tasks to strategic decision making and planning.

To achieve efficiency gains, “best-in-class” companies are turning to enterprise resource planning (ERP) software solutions. According to Aberdeen, 70% of “best-in-class” companies have a standardized ERP implementation.¹

In contrast, average or laggard companies are more likely to use standalone applications to manage operations, such as accounting and finances, customer relationships, payroll, inventory, manufacturing, and distribution, and employ spreadsheets for operational and financial planning. The use of these disparate applications makes it difficult and time consuming for employees throughout the organization to obtain the information they need in a format they can use. Employees find themselves rekeying information into multiple systems or pulling information from multiple systems to create reports and analyze business information for key business decisions.

How ERP Improves Efficiency

ERP solutions improve efficiency by automating business processes, furnishing integrated applications that share data to give employees instant access to the information they need, and by providing business intelligence and analytics to improve decisions and planning.

Standardized Processes Accelerate Operations

Manual processes can be tedious and time-consuming, and employees can easily miss vital steps or provide customers with an inconsistent experience. That’s why, according to Aberdeen, the majority of “best-in-class” companies (54%) are looking to use ERP solutions to standardize and accelerate business processes.²

ERP solutions standardize and accelerate processes through automation, which ensures that processes are performed efficiently and correctly. Alerts warn managers of exceptions so they can address any issues proactively.

ERP modules are available to automate processes that include:

- o Accounting and finance
- o Payroll
- o Human Resources
- o Sales
- o Customer Resource Management
- o Purchasing
- o Inventory
- o Manufacturing
- o Distribution

Customizability Supports the Unique Way a Company Does Business

Even as they offer standardized processes, ERP solutions offer the flexibility to support the unique ways that companies and their employees work. IT departments can take out-of-the-box processes and configure them to address specific workflow requirements. End users can personalize their own desktops, for example, by defining fields, adding buttons, or removing data entry columns they never use to improve personal efficiency. Some ERP solutions allow companies to purchase only the modules they need and then later add modules as necessary without extensive integration. Software development kits (SDKs) are typically available along with networks of systems integrators if more extensive customizations are required. Should the organization upgrade to a newer version, any modifications automatically migrate as well, eliminating the disruption of time-consuming reconfiguration.

Automated Processes Span Multisite, Global, or Extended Operations

Many companies operate in multiple locations, have multiple divisions or subsidiaries, have global offices, or even collaborate with an extended supply chain that includes customers, partners, and suppliers. Not only can modern ERP solutions streamline processes and improve collaboration within a single company in a single location, these solutions can do the same for organizations with multiple locations, that operate in multiple countries, or that collaborate across the extended supply chain.

Modern ERP solutions allow companies to customize processes to meet the needs of individual operations in multiple companies, locations, or countries while at the same time making it easier for multisite or global operations to consolidate and share information. ERP solutions are available that can support multiple languages, currencies, companies, sites, and legislations to allow individual divisions or countries to follow their own business rules while sharing common processes and information. Companies can easily accommodate transactions that span multiple companies by using these ERP solutions that automatically distribute transactions across two or more companies, reducing costs and eliminating error-prone, time-intensive processing. ERP solutions can also consolidate information from separate companies or global locations to enable companies to cost effectively manage multiple companies and achieve comprehensive reporting on multiple business entities.

Integrated Applications Enhance Visibility

When organizations use siloed applications, users must often retype information into different applications or port data back and forth between systems to run their business. For example, after a salesperson wins an order, employees in different departments might need to enter that order into the sales system, the order entry system, the inventory system, and the accounts payable system. Managers or executives must pull information from various systems into a spreadsheet for analysis and decision making.

ERP solutions store data from all modules in the same repository. Information is entered once and automatically propagated in real time to all parts of the business that need it. This eliminates time previously spent reentering data, improves accuracy, and helps employees meet customer requirements more quickly. For example, the system will automatically reflect a new order in stock levels, production, and accounting while employees can check an order status or inventory levels without having to track down the information from several people or departments.

When data is entered from multiple sites or global operations (in different languages or currencies), the system will even “normalize” the data so that information can be viewed in an “apples to apples” manner.

ERP systems can also manage electronic documents such as sales orders and invoices, AR invoices, job cost invoices, purchase orders, payroll direct deposit stubs, and electronic forms. Users save time and money by efficiently retrieving documents saved electronically from their business desktop instead of manually searching for them. Electronic document storage also reduces the possibility of loss or damage to valuable printed records, including journals and registers, period-end reports, and all standard reports.

Role-based policies safeguard data so users can access the data they need in a secure yet efficient manner. Audit trails allow organizations to easily track any changes made to the system, when, and by whom, to ensure that users don't make any changes for which they are not authorized.

Reporting and Analytics Increase Insight

Rather than requiring managers or executives wishing to analyze data to find data stored in multiple systems and import that data into a spreadsheet, ERP solutions have always allowed users to analyze data from the repository using reports or standard queries. Unlike older ERP systems that provided “canned” reports created at intervals using batch processes, modern ERP solutions provide flexible reports that pull data in real time, improving the efficiency and accuracy of the decision-making process.

Users employ drag-and-drop interfaces to personalize reports so they can work most efficiently and can save these reports for their personal use or to share with other users. Users can ask “what if” questions. Ad hoc query capabilities give users immediate access to information to provide greater business visibility and insight to improve business performance. Business intelligence and analytic solutions provide portals or graphical interfaces to present key performance indicators (KPIs) that make it quick and easy to identify unusual events that require attention. Drill-down capabilities enable managers or executives to quickly see transaction details to identify trends or the root cause of exceptions for more proactive business decisions.

Flexible Technology Improves IT Efficiency

Today's ERP systems give IT organizations the flexibility to adapt the system to their requirements. ERP solutions that run on a standards-based architecture can support multiple databases, operating systems, and hardware platforms. Such architecture makes it fast, efficient, and cost effective for IT organizations to deploy the ERP solution within their existing environments or modify their environments without extensive changes and customizations, improving IT efficiency. Solutions that support standard IT tools for troubleshooting, optimization, backup, and restoration allow IT administrators to use their familiar tools to safeguard the system and optimize its operation.

ERP solutions that employ modern web-based architectures and web services and support wireless and mobile wireless devices give organizations the option of further improving efficiency by extending their internal systems to remote/mobile users, partners, and suppliers. Users simply log onto the system using intelligent, self-service applications.

Results

By replacing manual processes and siloed systems with a single ERP solution that spans multiple functional areas, locations, countries, or across the extended supply chain, organizations can achieve the following benefits:

Reduce Costs by Streamlining Operations

From a business perspective, an integrated ERP solution enables organizations to reduce costs by automating workflows to streamline tasks and remove information-sharing bottlenecks so employees can do their jobs in less time. Aberdeen found that by taking advantage of an ERP's automated and streamlined processes, best-in-class organizations achieved an average 26 percent year-over-year reduction in operating costs.

From an IT perspective, a flexible, customizable ERP solution reduces the total cost of ownership by allowing companies to make changes without the need to modify the system. A modern architecture makes it easy to swap out databases, hardware, or operating systems without the need to revamp the ERP. A system with modules that are integrated out of the box avoids the time and cost of tedious point-to-point integrations. Moreover, with a single integrated system, IT eliminates the need to manage multiple vendors or resellers.

Focus on Strategy to Drive Results

Using ERP solutions, employees can also do their jobs more effectively. Aberdeen finds that 95% of companies that make the best use of their ERP system are able to achieve complete and on-time delivery and 95% achieve inventory accuracy.³

ERP makes it easy to document work steps and processes so people know how to perform work on a consistent basis—when employees have easy access to documented processes, production errors go down and quality goes up. Integrated, collaborative planning processes enable more accurate plans and reduced budget cycle times. With more visibility into production processes, management can quickly identify problems in the business and take immediate corrective action. With more accurate data and better decision-making tools, companies can improve the quality of their decisions, improving operational results. And finally, by reducing manual administrative tasks through automated processes and providing faster, smarter access to personalized information, companies can empower staff to focus on more strategic issues.

Conclusion

Best-in-class companies look to exploit ERP solutions to improve their operational efficiency to reduce costs, improve operational effectiveness to enhance profitability, and make more resources available for strategic planning. These organizations are turning to ERP applications to meet these objectives. By optimizing their use of ERP solutions, organizations have the opportunity to automate key business processes for more consistent, streamlined operations. They can more effectively share information across departments, locations, and even countries to eliminate duplicate data entry and improve visibility. And they gain flexible tools to analyze operational data to proactively manage business exceptions and improve strategic planning.

¹ "ERP in the Midmarket 2009: Managing the Complexities of a Distributed Environment," By Cindy Jutras, Aberdeen Group, August 2009

² "ERP in the Midmarket 2009: Managing the Complexities of a Distributed Environment," By Cindy Jutras, Aberdeen Group, August 2009

³ "ERP in the Midmarket 2009: Managing the Complexities of a Distributed Environment," By Cindy Jutras, Aberdeen Group, August 2009

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