

## THE TOP 5 WAYS TO TELL IT'S TIME FOR A NEW ERP

### WHY NOT GET STARTED NOW?

#### Data Source

In this report Mint Jutras references data collected from its 2015 Enterprise Solution Study, investigating the goals, challenges and status of those solutions that are used to run businesses today. It also benchmarks performance of these implementations

The study collected ~400 responses from companies of all sizes. For this report we focus on companies with 100 or fewer employees and we refer to this subset of ~ 85 companies as small to medium size businesses (SMBs).

*As a small to mid-size business (SMB) you have some tough decisions to make in terms of how you invest for the future of your company. In the very beginning, businesses must invest in an operational foundation that will directly build the business. With limited capital it may seem necessary to forego investment in enterprise applications such as Enterprise Resource Planning (ERP), leaving you to struggle to control your business with some combination of spreadsheets, desktop solutions or disparate applications. Once past this initial start-up phase perhaps you continue to struggle or maybe you took the next step and invested in a low-cost solution with limited capabilities, thinking that was all you could afford. Or perhaps that next step was taken over a decade ago, leaving you with both limited capabilities and outdated technology.*

*Maybe you're thinking it's about time to purchase a ERP solution. Then again, maybe you're thinking what you use today to run your SMB is all you need to be successful and competitive in the future. Maybe you aren't sure. Regardless of where you stand today, one thing is certain: Software used to run your business has come a very long way from simply providing a transactional system of record, and along the way it has become more and more affordable. If you don't have a solution that is helping more than it is hindering your business, if it is not giving you a distinct competitive advantage in today's digital world, if it is not a complete solution that is easy to use, then you are definitely operating at a disadvantage.*

*Still not sure if you need a new ERP? Read on as we examine the top five reasons why now might be the time to make a move.*

### WHAT IS RUNNING YOUR BUSINESS TODAY?

According to our Mint Jutras 2015 Enterprise Solution Study, 60% of the smallest companies (those with 10 employees or less) rely exclusively on spreadsheets, manual processes or desktop solutions. While that percentage shrinks as companies grow, we see evidence that many are still limping along with systems that fall far short of a modern, technology-enabled, integrated ERP solution. Many today use the acronym ERP as a blanket term to represent any kind of software used in the running of a business and therefore a good

### Definition of ERP

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percentage think they are running ERP when in fact they are not. To be clear: ***Mint Jutras defines ERP as an integrated suite of modules that provides the operational and transactional system of record for your business.***

While our definition represents the minimum requirements, most ERP solutions today can do much more. And yet most SMBs settle for something less, leaving them with little control and even less visibility into how best to grow most profitably. Inventory might be growing and yet you can't meet customer demand. Cash is tight but you have limited visibility and control over cash flow. We're entering the digital age and yet you are transacting business the way it was conducted 50 years ago. Technology is leaving you behind.

These challenges alone should be motivation enough to take the leap into a modern solution, but a deeper understanding will only strengthen your resolve to overcome them.

### PRIME MOTIVATION

For those already planning a new ERP purchase, it is important not to lose sight of why you are embarking on this journey. For those that are perhaps (a bit too) complacent with the status quo, these reasons may just make you wonder if staying put is wise. Overall, we observe five key motivations:

1. A lack of current functionality to support business needs
2. Expansion and consolidation efforts
3. Outdated technology
4. The potential for cost savings (both IT and business)
5. Frustration and inefficiencies of current tools

These five reasons are actually a consolidation of more detailed reasons motivating purchases of a new ERP planned by participants in our 2015 Enterprise Solution Study (Figure 1).

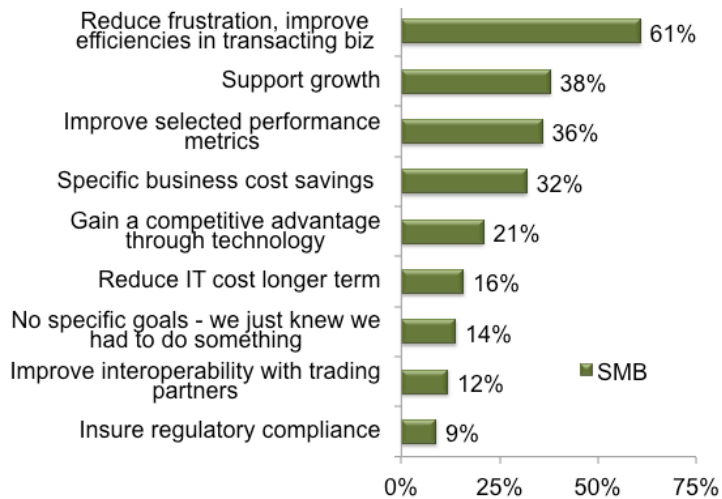
**Figure 1: Select all the reasons motivating this purchase**



Source: Mint Jutras 2015 Enterprise Solution Study

Many of these individual reasons are inter-related and may cross more than one of the five motivations listed above. However, the fifth motivation listed comes from a different source altogether. To round out the top five reasons we have to think back to why you implement a solution like ERP in the first place. To better understand this we asked survey participants to select their “top three” goals of ERP (Figure 2).

**Figure 2: “Top 3” Goals of ERP**



Source: Mint Jutras 2015 Enterprise Solution Study

Many of these top goals are already reflected in the reasons that prompt a change – reasons like outdated technology and the desire to reduce costs and improve performance. But the goal at the very top of the list – reducing frustration and improving efficiencies – can also serve as a prime motivator for change. And this is particularly relevant to those that have yet to take the leap to ERP in the first place. So let’s explore these five motivating factors in a bit more depth.

*If you have yet to implement ERP or are running solutions on outdated technology, you are in for a pleasant surprise. Don’t let your prior experience constrain your expectations.*

## 1. FUNCTIONALITY TO SERVE YOUR BUSINESS NEEDS

For many years “fit and functionality” was always the most important selection criterion for enterprise applications like ERP. And yet, early solutions were quite limited in functionality. Those SMBs that have not yet embarked on the ERP journey may think that is still the case. If you fall into this category, you are in for a big surprise. You may also think you need far less functionality than you really do, and believe you can create the functionality you need in those ubiquitous spreadsheets. It is not until you look closely at what solutions today have to offer that you realize there is no way spreadsheets, or even desktop solutions can possibly provide the same level of functionality.

If you are an SMB that made a move to ERP a decade or more ago and that same solution is still running at your company today, chances are better than

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*Desktop solutions and spreadsheets can also be considered outdated technology, considering the alternatives today.*

good that it is unable to keep pace with changing business needs. Today solutions need to do even more. The good news: They can and do. Features and functions that were once deemed “pie in the sky” wishful thinking are now not only available, but affordable.

Correspondingly, expectations are higher as companies continue to try to do more with fewer people. More automation and more advanced technology means we all rely more heavily on solutions to do what large teams of employees used to do manually. Cost-cutting measures taken through the most recent economic downturn only serve to exacerbate these issues.

If whatever it is that runs your business doesn't have all the features and functions you need, don't sit around waiting for that functionality to magically appear. It's not going to happen, at least not anytime soon. This is one of the very best reasons to go for a new solution. But once you start down that path, don't forget what drove you there. Stay cognizant of the features and functions you need during the selection process.

Make sure any solution you are evaluating has the functionality you need now and into the foreseeable future. The more functions that are included in the core solution, the more complete it is. But if the solution provider is relying on complementary (perhaps partner) solutions to fill gaps, compare total prices including those from the partner. Also check out integration costs and capabilities, not only for any new software on the table, but also to connect existing solutions that you may want to keep. After all, implementing a new ERP doesn't necessarily mean that you need to give up that eCommerce app or any others that you are simply not ready to replace now (or ever).

## 2. OUTDATED TECHNOLOGY

Those integration capabilities require modern, advanced technology. Relying on old point-to-point interfaces is clumsy and inefficient and only serves to build barriers to accepting new innovation from your solution provider, innovation that is being delivered more rapidly today than ever before.

We were a bit surprised that outdated technology was the second most popular reason for replacement of solutions in SMBs, motivating a higher percentage of SMBs than their larger counterparts. You might expect the reverse to be true, with less nimble, larger enterprises saddled with older technology. **But then desktop solutions and spreadsheets can also be considered outdated technology, considering the alternatives today.** Once data that is generated from a desktop starts percolating throughout a growing SMB, it becomes harder and harder to corral changes and keep everyone working off the same page, even from a tactical perspective... forget strategies that are driven by real data.

For those with some sort of enterprise applications, outdated technology tends to make solutions rigid, requiring invasive customization that creates

**Looking for advanced technology?**

*Listen for terms like:*

- ✓ service oriented architecture
- ✓ object-oriented data models
- ✓ event-driven and/or message-based technology
- ✓ semantic layers
- ✓ mobility
- ✓ rules engines
- ✓ in-memory databases
- ✓ HTML5
- ✓ XML

barriers to innovation. And without being able to innovate, you won't be able to respond as your business changes.

Without fully understanding the technology platform upon which your solutions are built, it may be difficult to distinguish new and advanced from outdated technology. Here are a few hints you can listen for as vendors describe their offerings: service oriented architecture, object-oriented data models, event-driven and/or message-based technology, semantic layers, mobility, rules engines, in-memory databases, HTML5 and XML. What all these boil down to are new ways of engaging with ERP, ease of configuration versus customization, better integration capabilities that reduce integration costs and new ways of delivering innovation that is easier to consume. If none of these factors have improved in your current system over the last few years, you either don't have, or are not taking full advantage of new and advanced technology.

### **3. EXPANSION AND CONSOLIDATION**

At first glance, expansion and consolidation may seem to be conflicting reasons for requiring a new ERP, but in fact they are quite complementary. "Expansion" refers to the expansion of your business, while consolidation (or rationalization) refers to the solutions that support it. Expansion was the third most likely factor to motivate an SMB to acquire a new solution.

Expansion often means new sites or locations. Very few companies today operate out of a single location. Even with our definition of SMB (companies with 100 or fewer employees), 52% operate in more than one location, on average operating with 2.4 sites. If we look at all companies surveyed, 80% reported being multi-location. For SMBs with aspirations to grow, the number of locations will grow steadily with company size (Figure 3), a harbinger of added complexity. How will your spreadsheets accommodate this added complexity?

If expansion involves adding a brand new site, and the new site is within the same country, an existing ERP implementation **may** be able to accommodate the expansion simply by adding more users and some additional complexity to the organizational structure (minimally) within the general ledger. But a lot depends on the nature of the business conducted at the new site. If it is simply an extension of your existing domestic business, your current solution may suffice.

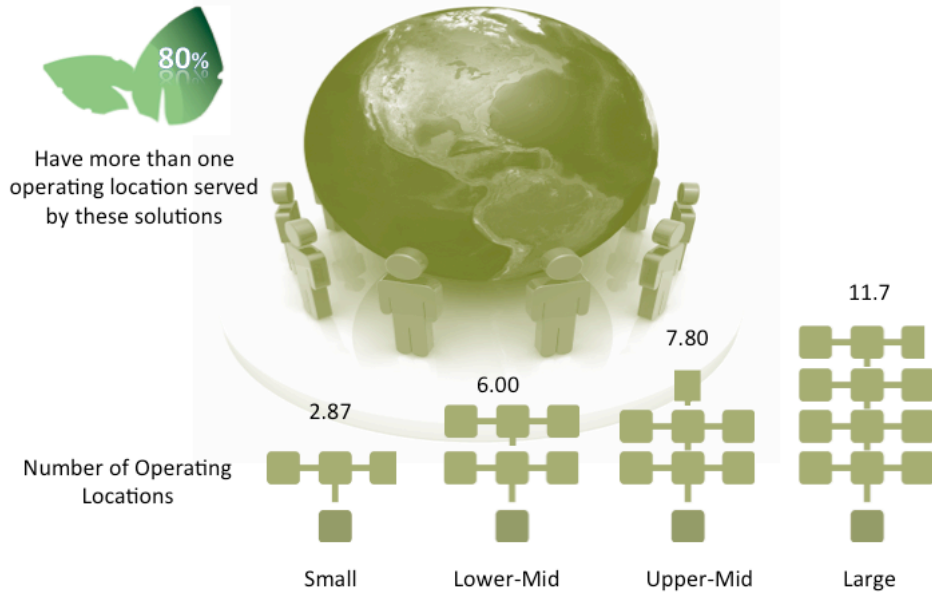
But if the new site is added in order to diversify, or to expand offshore, that is very likely not be the case.

**Figure 3: Distributed environments are very common**

**Company Size**

In Figure 3 company size is determined by annual revenue.

- ✓ Small: annual revenues under \$25 million
- ✓ Lower-Mid: \$25 million to \$250 million
- ✓ Upper-Mid: \$250 million to \$1 billion
- ✓ Large: revenues over \$1 billion



Source: Mint Jutras 2015 ERP Solution Study

Fifty-nine percent (59%) of our survey respondents and 38% of SMBs were multi-national companies operating as multiple legal entities and this increases the likelihood that expansion will include opening sites in foreign countries. This alone might create an environment your current solution cannot accommodate well. How do you deal with this type of expansion?

While 87% of survey respondents report having corporate standards that govern the applications installed at multiple locations, that percentage shrinks to 72% in SMBs. Now is the time for SMBs to define these standards, before they wind up with a mess they need to clean up later.

Standards make decisions easier at the time of expansion, as well as fostering better interoperability and collaboration across the enterprise. Consolidation strategies can often result in very significant cost savings. If you operate multiple locations with different solutions today and do not yet have a strategy to rationalize these solutions against a standard, it is certainly something you will want to consider. If you are an SMB, do it now before that complexity escalates out of control.

**4. POTENTIAL COST SAVINGS**

There may be any number of reasons why your current ERP solution could be costing you more money than it is worth, **even if you don't have one**. If you are still relying on desktop solutions and/or spreadsheets, those added costs are buried in inefficiencies and sometimes in costly mistakes. Although a new

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*If you are still operating from spreadsheets, chances are the wear and tear you are experiencing is on the people forced to maintain them and the stress created from not having the transparency you need to feel confident in the decisions you make.*

**World Class ERP Performance**

*Mint Jutras defines World Class using a composite metric which includes:*

- ✓ Actual measured results experienced since implementation
- ✓ Progress made in achieving company-specific goals
- ✓ Current performance in selected KPIs

*The top 20% of all survey respondents comprise "World Class." The remaining 80% are referenced as "All Others." The World Class and All Other categories shown in Figure 5 include SMBs only.*

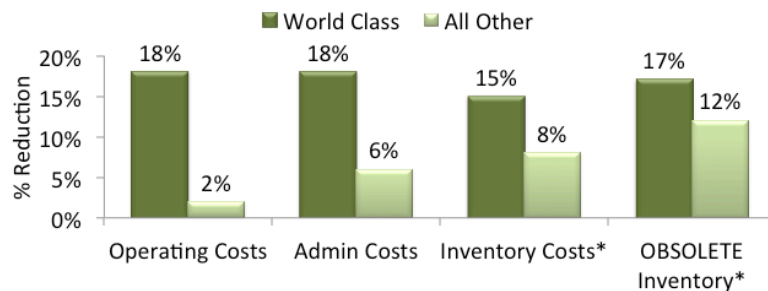
solution will require some upfront investment, chances are it can save you money over the long term, not only in terms of IT costs, but also in the improvements and cost savings to your business.

Sometimes you need to spend money to save money. Some of the cost savings are obvious, but some are subtler. Clearly the implementation of newer technology and more functionality should result in productivity gains. Replacement of outdated technology can also save in terms of maintenance costs, both preventative and remedial. When do you consider trading in your car? Typically when the maintenance bills start to escalate. If you are still operating from spreadsheets, chances are the wear and tear you are experiencing is on the people forced to maintain them and the stress created from not having the transparency you need to feel confident in the decisions you make.

For those running ERP, or something like it, added mileage and wear and tear on the solution itself are not the issues. It's more a question of ERP being able to keep up with market and business changes, as well as the accelerating pace of business. Long gone are the days when effective decisions could take days, weeks or months without negatively impacting business. We're talking minutes today, which requires a level of visibility and transparency that few companies have been able to achieve today. Can you? If not, what is the cost of lost opportunity?

New ERP solutions used to always require capital investment, but cloud options, subscription-based pricing and solutions that are delivered as software as a service (SaaS) provide more options today. Capital investments (CapEx) in hardware and software can often now be replaced with operating expense (OpEx). Of course there will be some up front costs associated with a new implementation, but savings in efficiency and productivity, in addition to hard cash savings, can help defray those short-term costs.

**Figure 4: Cost Savings Experienced Since Implementing ERP in SMBs**



\*Manufacturing and Distribution only  
Source: Mint Jutras 2015 Enterprise Solution Study

Where do those savings come from? To answer this question we look to the results reported by our Solution Study participating SMBs (Figure 4). In the

chart above you will see a comparison of the results of “World Class” ERP implementations to “All Others.” Use the average (All Others) savings as a first milestone, but then follow up with your ultimate “stretch” goal using those experienced by World Class ERP implementations.

The metrics presented are quite general, but were selected as universally applicable to most any business (those specific to manufacturing and distribution are flagged as such). We encourage you to be more specific. Perhaps there are some select elements of operating cost (labor, facility, shipping costs, etc.) or a segment of inventory from which you can gain the most benefit. And also consider other improvements that may either directly or indirectly impact top or bottom line performance.

While the cost savings and improvements of World Class ERP implementations are typically more than double (or even triple) those of All Others, it is important to note that even the average cost savings can easily cost justify the initial expense. Yet there is no logical reason not to aspire to becoming a World Class implementation. Setting your sights too low can be a lot more dangerous than setting them too high.

## 5. RELIEVING FRUSTRATION AND INEFFICIENCIES

Frustration can easily arise when individuals struggle without necessary applications. While spreadsheets represent a comfort zone, so to speak, they only add to inefficiencies and lack of productivity, not to mention the “worry factor.” The chances of errors within spreadsheets is a well-known, yet constantly overlooked factor.

But even when applications are implemented, level of frustration is a function of how easy (or hard) a solution is to use. Mint Jutras survey participants consistently put efficiency (minimizing the time to complete tasks) at the top of the priority list of “ease of use” factors.

“Ease of use” used to be viewed as “soft” or “fuzzy” and yes, it’s an intangible. Users of early systems were simply expected to “grin and bear it.” But your human assets are certainly among your most precious resources today and even the intangibles can cost you in terms of time, effort and cold, hard cash. And today your human assets generally fall into one of three “generations.” Do these three generations view ease of use consistently? Yes and no.

While efficiency (minimizing time to complete tasks) still takes the lead for all three generations, it does so with a wider margin for Baby Boomers and Gen Xers in SMBs (Figure 5). . “Intuitive navigation” goes hand in hand with minimizing time to complete tasks for these generations, who might be more accustomed to having to hunt and peck for data and answers, sometimes in vain, having used early systems.

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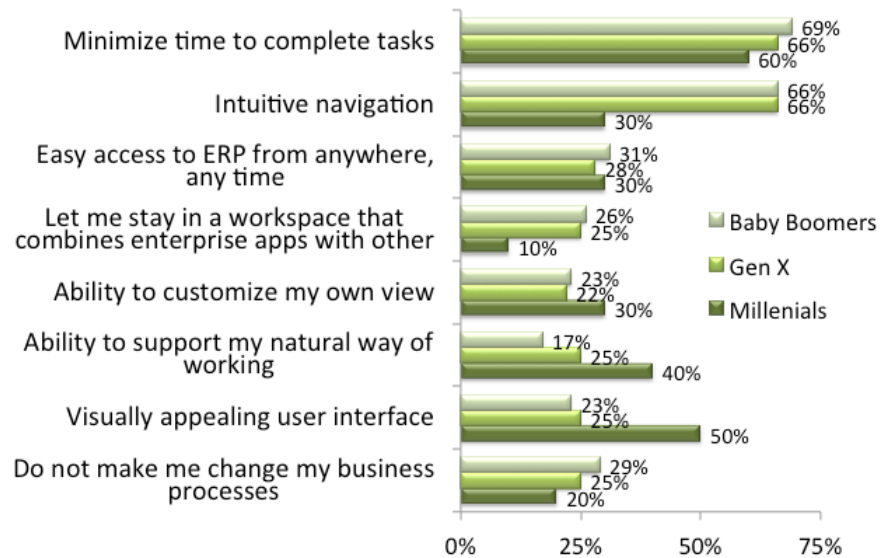


**Definition of Generations**

- ✓ *Baby Boomers: born 1946 – 1964*
- ✓ *Gen X: born 1965 – 1981*
- ✓ *Millennials: born 1982 – 2003*

*If whatever you use today to run your business (including spreadsheets) does not get a passing grade in terms of ease of use, it could be hiding many other performance issues and could even negatively impact your ability to attract and retain talent.*

**Figure 5: Define ease of use by selecting your “Top 3”**



Source: Mint Jutras 2015 Enterprise Solution Study

But “a visually appealing user interface” was a close second for Millennials, who take intuitive navigation for granted. This generation has probably never used software that required a user manual. While Baby Boomers and Gen Xers, having worked around weaknesses in legacy solutions for years, can get the job done, however inefficiently, Millennials are quite dependent on technology. This makes the negative impact of hard-to-use software potentially far worse.

This is very much a threat to the typical SMB. Millennials tend to be attracted to SMBs far more than strongly than to large enterprises, which they tend to view (legitimately or not) as bureaucratic, behind the times and slow moving. Archaic, hard-to-use software will not help you attract and retain bright, young talent.

If whatever you use today to run your business (including spreadsheets) does not get a passing grade in terms of ease of use, it could be hiding many other performance issues and could even negatively impact your ability to attract and retain talent. That alone could justify investment in your first ERP or a replacement.

**RECOMMENDATIONS**

If any of these top reasons resonate, you are a potential candidate for a new system to run your business. If you are still on the fence, you may simply be putting off the inevitable. If your current solution...

- Is underperforming, frustrating you and your employees
- Doesn’t have the functionality you need now and into the future

- Can't support your growth or respond flexibly to ongoing change
- Doesn't encourage and support interoperability and collaboration
- Is rigid or based on old technology ...

*If you are thinking your situation is not that bad, do you think it will be any easier to fix the problem when things get worse? Or when your business is larger and more complex?*

Why wait? Yes, deciding to purchase a new ERP is a big decision. If you are thinking your situation is not that bad, do you think it will be any easier to fix the problem when things get worse? Or when your business is larger and more complex? For years Mint Jutras has been cautioning against treating implementing or replacing ERP like brain surgery... you don't do it unless the patient is dying. But selecting and implementing a new system that runs your business, when your business is under distress, is the least optimal timing.

ERP should be an ongoing source of cost savings and improvement. Managing change can be a challenge, but with a technology-enabled solution, you can embrace change and use it as a catalyst for growth and profits. Why not get started now?

**About the author:** *Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing 40 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 9+ years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras LLC ([www.mintjutras.com](http://www.mintjutras.com)), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*