



We are Too Small for Enterprise Resource Planning- Debunking this and Other Myths Surrounding ERP

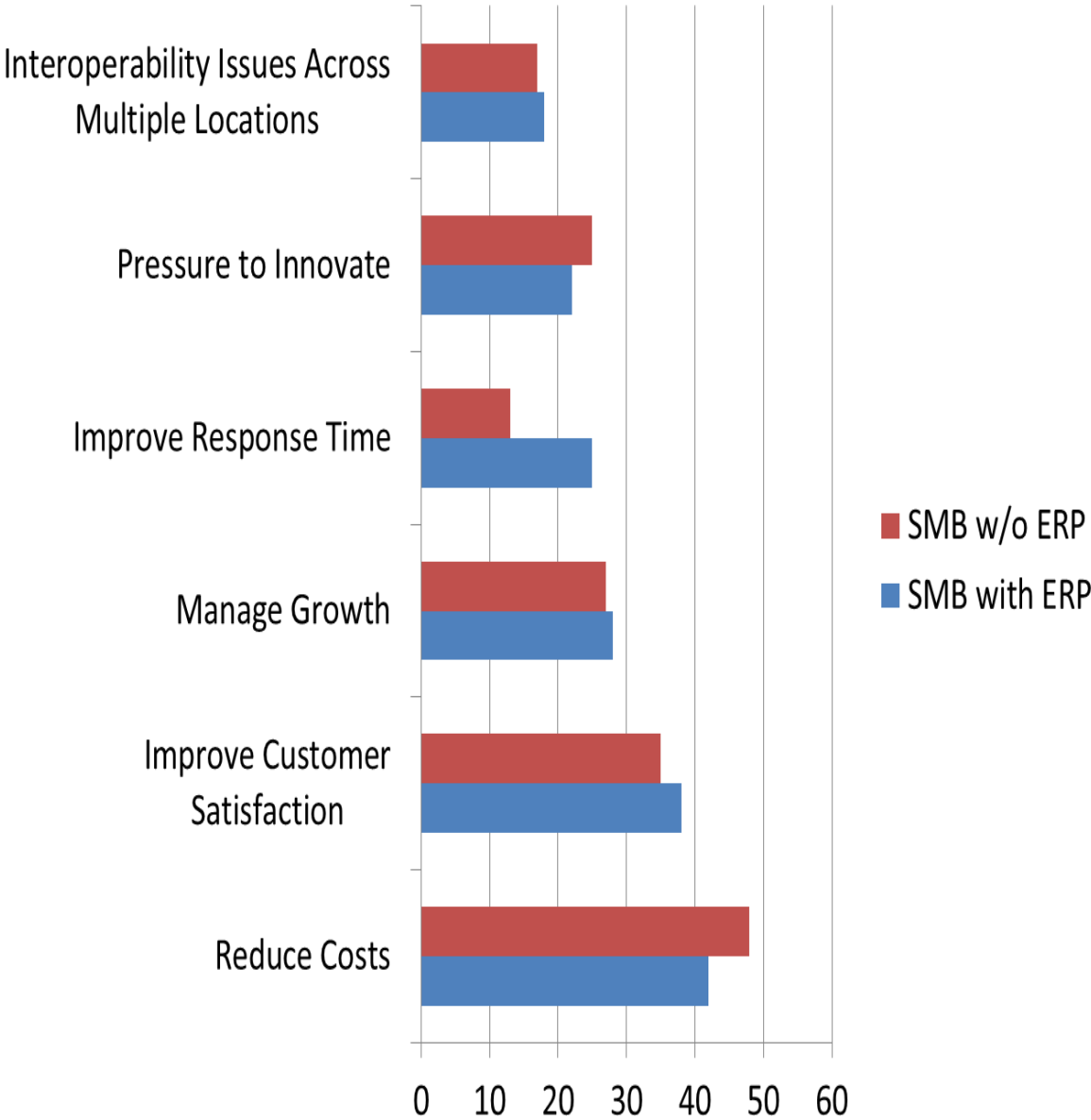


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Overview

A shift is taking place in small business technology. Once the exclusive domain of large manufacturing companies, enterprise resource planning (ERP) software is increasingly being deployed in small and mid-market companies across an array of industries. Leaders of such companies report improvements across process management, organizational efficiency, and knowledge management capabilities. Ultimately, this leads to higher profits, reduced expenses, more efficient employees, and happier customers. In this whitepaper, Intellitek Systems will explore how small companies are enjoying these business benefits and more with ERP software.



Source: Aberdeen Business Review Survey; February, 2011

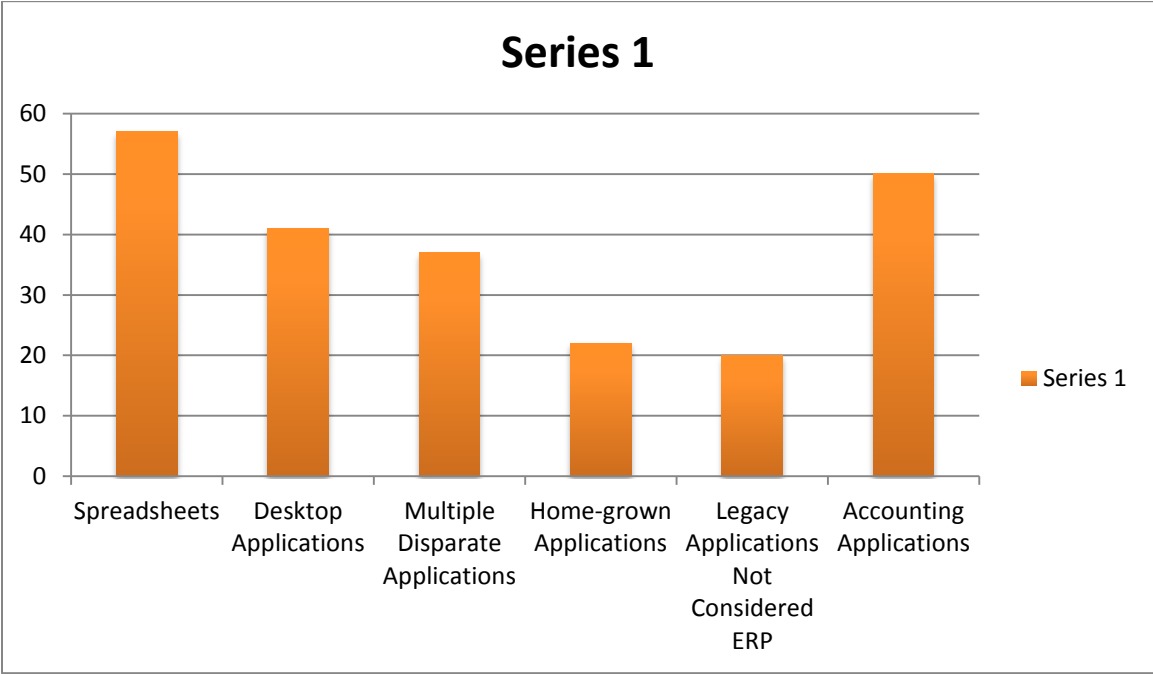
As outlined in the chart above, in addition to cost reduction, customer service and growth expectations have traditionally been the key business drivers behind small business ERP strategies. Properly implemented, ERP can provide the visibility needed to better service the customer, manage inventory of goods and services to respond faster to demand, and be the vehicle by which business processes can be standardized and streamlined to support growth.

While many believe ERP to out of reach for small and mid-market businesses, Intellitek Systems' research of its own customer base and users of competing products shows a well-managed ERP implementation can be a continuing source of cost savings and operational improvements which help companies grow and thrive. Even small companies have been able to document the business benefits of ERP, not only in terms of quantifiable cost savings and schedule improvements, but also in terms of standardizing, streamlining, and accelerating business processes. Those without ERP are faced with limited visibility and all but a mere 8% lack integrated business applications that serve as a complete and auditable system of record.

These companies that have postponed, delayed, or decided against implementing ERP often underperform even the worst performers of those with ERP in terms of process, organizational, and knowledge management capabilities. ERP has become much more affordable in recent years. Those concerned with long and costly implementations should look for options where best practices and standardized implementation templates are available. When approaching an ERP implementation, set goals for the project, set aggressive but achievable timetables, and, most importantly, measure the results.

If Not ERP, What Systems Are You Using to Run Your Business?

Of the 93 respondents to our recent survey, 23% had yet to invest in ERP software. We asked them what they were using to run their business. Our findings are displayed in Table 1 below.

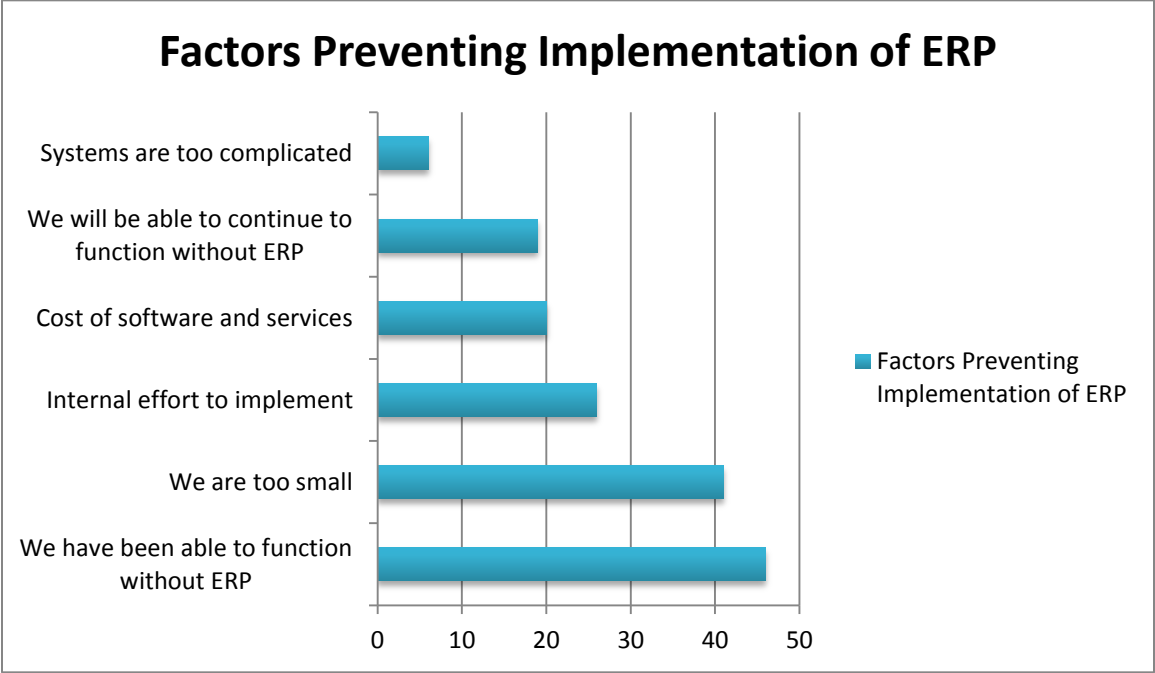


While many find spreadsheets familiar, and with familiarity comes comfort, there is a certain element of danger inherent in using them to run a business. It is virtually impossible for spreadsheets, by themselves, to offer a complete and auditable system of record. However, among the small companies surveyed, most use spreadsheets in conjunction with one or more of the other tools listed, most likely stand-alone accounting or desktop applications. While these may provide an added level of discipline, they do not provide the same efficiencies or control afforded by an integrated suite of modules comprising an ERP solution. As a result, we find integrated business applications serve as a complete and auditable system of record in only 8% of SMBs with no ERP.

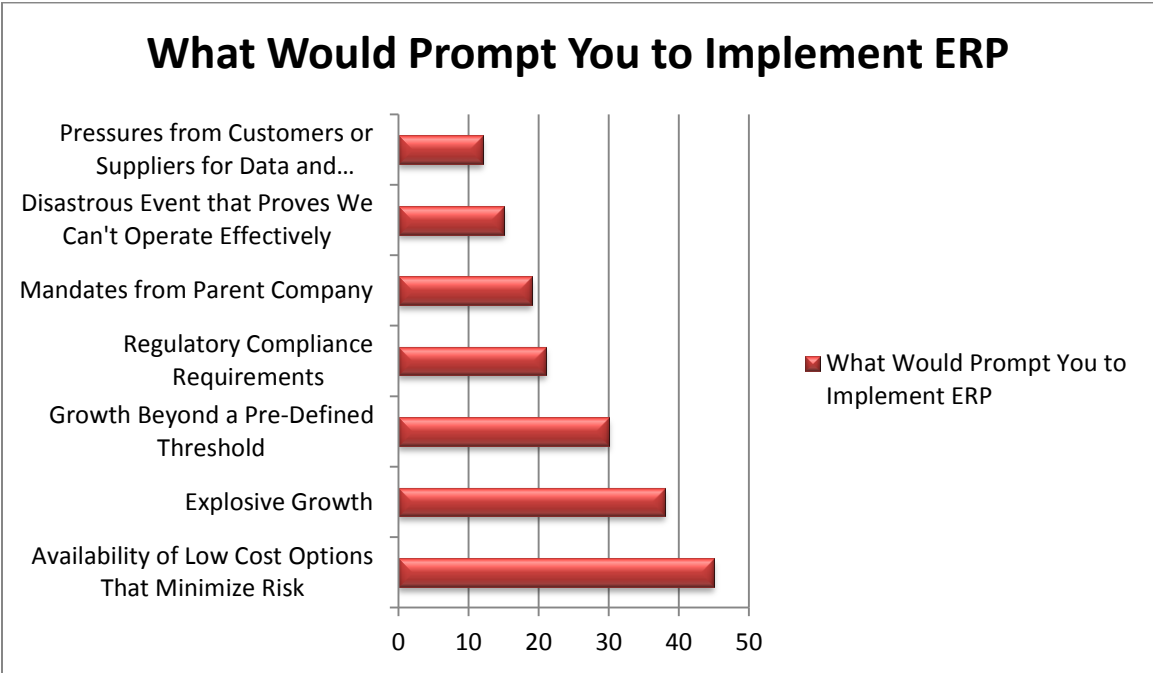
Why Not ERP

The reasons for not having invested in ERP vary, but two reasons take precedence over all others (Table 2). Almost half of SMBs with no ERP (46%) feel that they have been able to function effectively without it in the past, although many doubt they will be able to continue to function effectively into the foreseeable future. At number two, 41% feel they are too small. Given the focus on growth in 2011 in this segment, there is the distinct possibility that these companies will outgrow this sentiment as they outgrow desktop applications and disparate solutions residing either on the desktop or at the enterprise level.

Table 2:



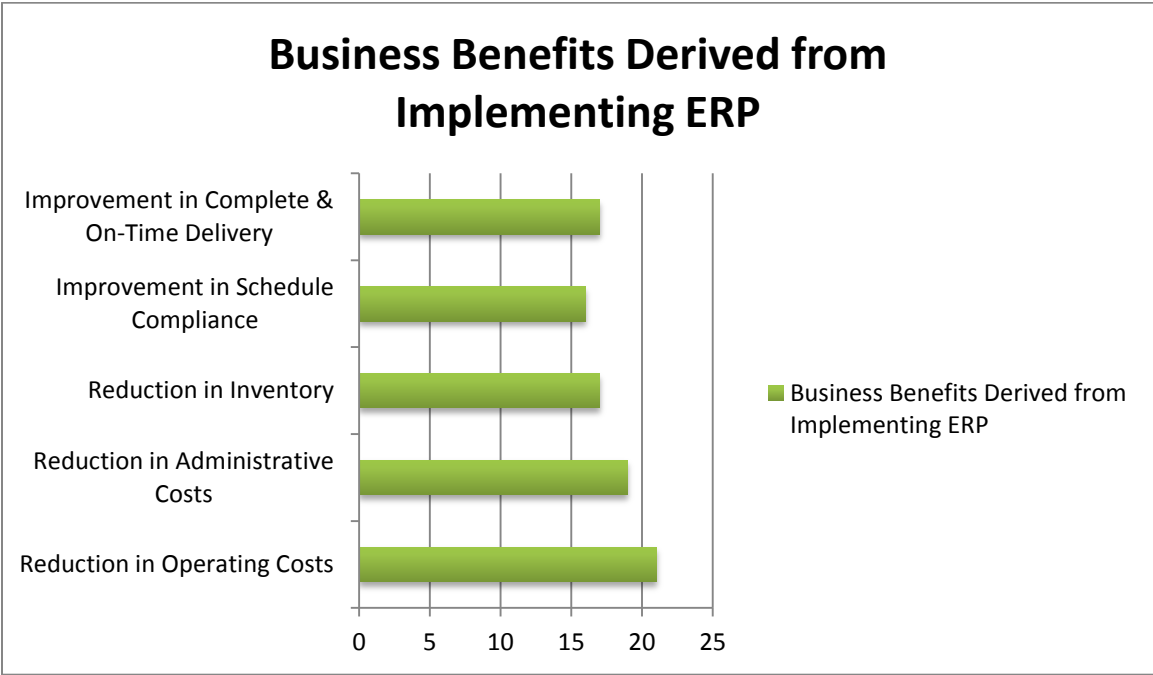
Both explosive growth and planned growth beyond a pre-defined threshold may also be the catalyst needed to invest in ERP. The optimistic growth objectives of SMBs, combined with specific programs offered by ERP solution providers to reach down market could very well result in significant activity in the coming year, leaving those who choose not to invest trailing with a significant competitive disadvantage. Indeed, Intellitek Systems' research indicates that SMBs that have implemented ERP outperform those that have not in terms of process and organizational capabilities, as well as knowledge and data management.



Benefits of Deploying ERP Software

While very small companies (under \$500,000 in annual revenue) may be able to function effectively without formalizing and standardizing back office processes, as they grow, efficiency and control suffers. Indeed, the top two strategic actions of SMBs responding to our survey are to standardize as well as streamline and accelerate business processes. The more standard the process, the more easily it is automated, adding speed and efficiency. Conversely, work flows and best practices associated with ERP itself can be used as a vehicle for both standardization and streamlining. Those without ERP also appear to struggle with this capability.

The coordination of disparate functional departments within the organization also has a greater impact as companies grow. While there is certainly a cultural element to this organizational capability, shared data and visibility to that data can foster both coordination and collaboration. An integrated suite of modules that provide a transactional and operational system of record for the business supports both. This is the very definition of ERP.



How Long Does it Take to Achieve These Benefits

Certainly one of the fears preventing some SMBs from investing in ERP implementation is the belief that implementation must be long and drawn out. Indeed, no company should embark on an ERP implementation without committing the appropriate resources. Intellitek Systems' research and experience consistently finds successful ERP implementations not only have the up-front buy-in across departments, but also have the long term commitment of management even after the initial selection and installation. However, we find top performing ERP implementations follow a more aggressive implementation schedule and indeed we have evidence based on experience of our clients that have spanned weeks as opposed to months or even years. Allowing too much time for the ERP implementation and risking a loss of focus on the task at hand can be just as damaging as not allowing enough time.

Conclusion:

Enterprise Resource Planning technology is no longer just for large manufacturing companies. As the world economy continues to rebound and SMBs prepare once again for growth, deploying ERP technology can help processes mature while making your people more efficient. This is critical if your company is going to grow.



About Intellitek Systems:

Founded in 2008, Intellitek Systems is the developer of the Intellitek Open Enterprise Application Suite. Intellitek Systems works with small and mid-market companies to tailor technology solutions, based on one of the world's most flexible enterprise resource planning (ERP) platforms, and incorporates the business processes that help companies succeed. To learn more about Intellitek Systems or to schedule a no-cost, no-obligation needs analysis, contact us today at 1-(888)-616-2430 or visit us on the Web at <http://www.gointellitek.com>.

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