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>> **White paper**

## **ERP – building on the basics**

**April 2011**

.....  
How ERP is evolving to meet the  
demands of your business

**computing**

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## Executive summary

Enterprise Resource Planning (ERP) software can provide significant benefits to companies seeking to take advantage of improving economic conditions. Improved liquidity, better financial and business-wide reporting and decision making, and reduced duplication of data and processes are just some of the tangible benefits.

This white paper details the results of a *Computing* survey of ERP users, in which they were asked about the benefits – or otherwise – of ERP in the areas of finance, management information and other business processes.

ERP scored highly in terms of enabling operational efficiency, cash-flow and financial reporting, and inter-departmental communication. However, budgetary restrictions and perceptions of inflexibility are leading some to delay deploying the software. These concerns could be ameliorated by the new generation of ERP software which may be deployed in the cloud or over mobile devices.

## ERP – evolving expectations

The market for ERP software changed significantly after the financial meltdown of 2008, since when we have witnessed a slow, fragile return to growth. Firms now want to see a faster return on investment, and products that are quicker and easier to install and integrate. The first paper in this series “Positioning your Business for Growth” (January 2011) made the case that the time for financial retrenchment has passed. The challenge facing business organisations is to make sure that they emerge from the downturn ahead of the competition and are able to take full advantage of the economic recovery that is tentatively under way. This paper argues that investing in ERP technology to ensure a smart and agile workflow cycle is one way to realise this goal.

Deployment of ERP software can have a profound and positive impact on revenues. A sharp reduction in duplication of data and processes, improved cross-departmental communication and better financial reporting are just a fraction of what ERP software can deliver, provided that the product is chosen carefully and the deployment and ongoing maintenance are managed well.

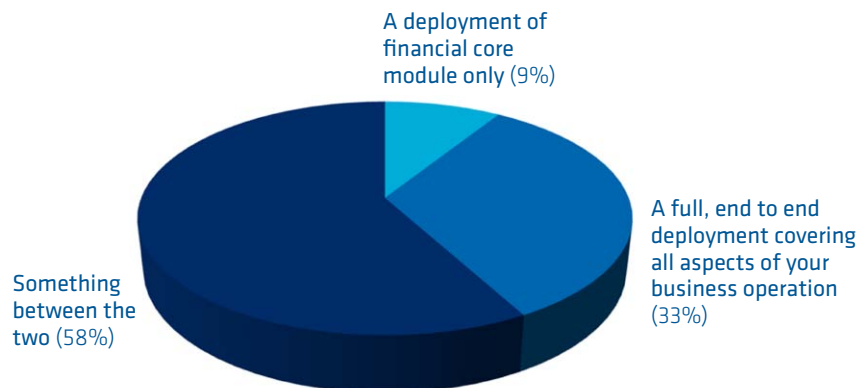
In order to understand how ERP has affected finance and business processes as well as management information availability and decision making *Computing* surveyed 150 UK business decision makers, two thirds of whom were found to be running some kind of ERP system. The survey also posed specific questions about the impact of ERP on compliance with industry and government regulations, and how the rise of cloud computing will affect plans for ERP deployments and upgrades in the future.

## The maturing of ERP technology

At the enterprise level, the ERP market has matured significantly over the years, with current penetration rates of around 60 percent. This maturation has led ERP software vendors to look at ways to achieve similar take-up rates in the lower and upper mid-market space, as well as to make their software more customisable in order to take advantage of niche, industry-specific markets.

The survey findings are very much in line with this analysis of the ERP software market. Two-thirds of the survey respondents stated that they have ERP software in place. However, ERP software implementations can vary in scale from core financial packages to full end-to-end deployments covering all aspects of business operations. For example, only nine percent of respondents with ERP have restricted themselves to implementing core financial components only. Thirty-three percent have opted for a full, enterprise-level deployment taking in every aspect of their business operation, but by far the largest number (58%) have opted for an approach somewhere between these two extremes, with some areas of workflow cycle being contained within ERP but others remaining independent of it (Fig.1).

**Fig. 1: “What does your ERP deployment consist of?”**

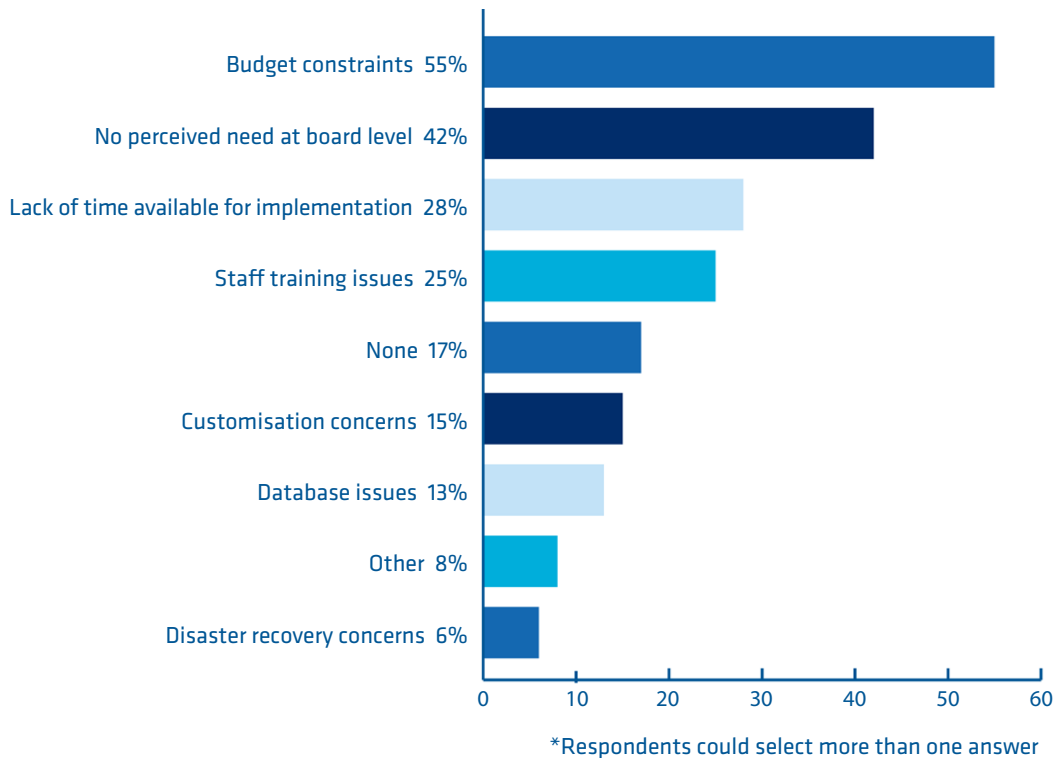


## ERP project plans

*Computing* asked those respondents who do not have an ERP system in place whether they plan to deploy one this year or in the longer term. Twenty-seven percent gave a definite yes, but 50 percent were unsure. Given the uncertainty in business outlook at the time of writing this is not an entirely surprising finding. Many business organisations are reluctant to commit financial resources when it is still unclear just exactly how the present regime of fiscal tightening will affect consumer behaviour and the economy as a whole.

Twenty-three percent of respondents gave an emphatic no. *Computing* asked these respondents what the main barriers to ERP were within their organisation. The results are shown in Figure 2.

**Fig. 2 : “What are the main barriers to ERP within your organisation?”**



Two key reasons stand out: 55 percent of correspondents are experiencing budget constraints and 41 percent stated that there is no perceived requirement for ERP at board level. These points are of course very much related, with budget decisions arising from the board-level perception of requirements. The responses to this question indicate that budgetary constraints are the main brake on ERP projects. The next reason given for not adopting ERP technology was lack of time available for implementation, cited by 28 percent of respondents.

## The benefits of ERP

The responses of the majority of those surveyed indicate that those organisations still holding off on decisions about ERP are missing out. *Computing* asked “Please tell us how ERP has affected your finance operation”. Seventy percent of respondents stated that as a result of their ERP system they enjoy better financial reporting; 52 percent have realised better cash flow and liquidity, leading – among other things – to a reduction in the age of customer debt.

Half of the respondents with ERP have experienced a reduction in overall finance costs, and 42 percent have found that their ERP software enables better cash management across their global infrastructure, by allowing them to establish individual payment centres, for example.

Although they can be hard to quantify, the financial benefits of ERP may be realised in many different ways. Some firms use ERP to make savings in departmental budgets; being able to compare cost savings with revenue gains leads to better decision making when setting targets. ERP systems can also make it easier to identify non-productive areas of the business, allowing managers to move staff to where they can better benefit the firm.

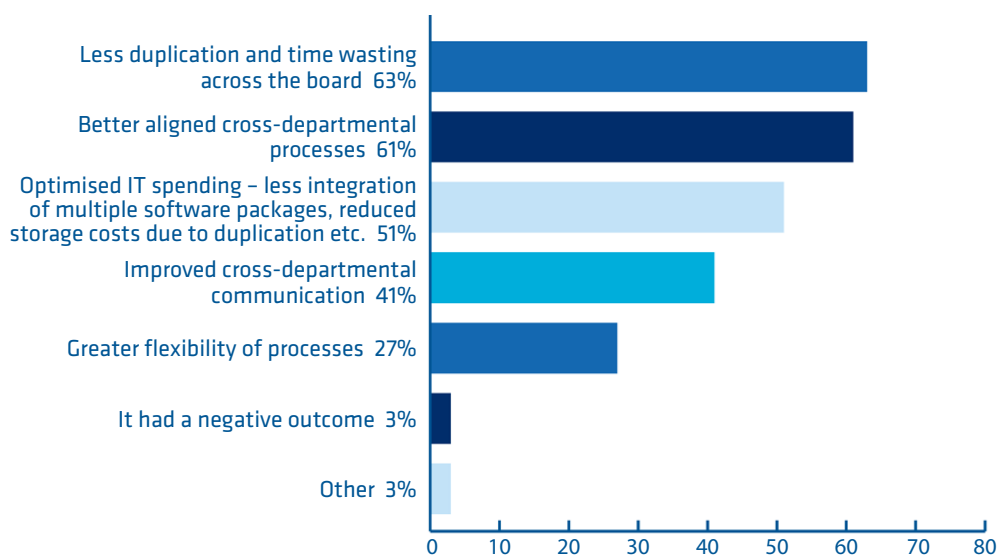
Still more savings can be realised by speeding up the monthly close process, in which a firm’s books are temporarily closed and analysed to produce a set of financial statements that indicate how well the company is performing. A faster close process allows management information and analysis to be made available sooner, giving the organisation more time in which to analyse the figures before producing financial statements. Full or partial automation of this process by ERP can lead to significant reductions in the close cycle.

The boost to business from these financial benefits is obvious. Better cash flow and liquidity is a critically important part of both riding out an economic downturn and taking maximum advantage of the recovery.

However, it has not all been plain sailing for the survey respondents. One pointed to the difficulty of managing real-time data when faced with the usual month-end pressures and another to the fact that their ERP forces employees to operate within certain boundaries. However, where negative aspects of ERP deployments were alluded to, they tended to be the result of procedures that had not been adapted when ERP replaced previous systems, or glitches that had been resolved in the longer term.

As well as the finance function, *Computing* wanted to understand how ERP had affected other specific business processes (Fig. 3).

**Fig. 3 : “Please tell us how your ERP has affected your business processes in addition to finance”**



\*Respondents could select more than one answer

The largest number of respondents (63%) said their ERP means less duplication and time wasting across the board, and 61 percent reported that cross-departmental processes are now aligned more closely. Over half reported that ERP has had a particularly beneficial effect on IT budgets, with costs such as maintaining multiple software packages and storage of duplicate data being drastically cut. This in turn frees up limited IT budgets for more strategic spending. Forty-one percent of respondents now experience better communication across departments.

However, only 27 percent of those answering the question stated that their ERP software had enabled greater flexibility of processes. In one case, ERP had actually led to reduced procedural flexibility. The belief that ERP software is rigid and difficult to customise is one that endures. It is not an unreasonable perception. ERP deployments of old tended to be huge, enterprise-wide, all-or-nothing affairs. Processes had to change to fit the software. Furthermore, some leading ERP vendors historically targeted customisation resource only at very large customers. However, the need to match the business processes of potential customers is proving an excellent driver of innovation in ERP software. The cloud in particular is enabling customers to enjoy greater flexibility in deployment and a closer matching of their ERP to their unique business processes.

The final business area in which the *Computing* survey studied the impact of ERP software was Management Information Statistics (MIS). Here, three-quarters reported that information is now available across their organisation as a whole rather than as “multiple versions of the truth”. This is one of the single biggest benefits of ERP. The efficiencies to be gained from no longer having to consolidate multiple versions of the truth into a meaningful format are significant. In addition to this improved availability of information, 51 percent reported that business analytics had enabled better strategic decision making.

The business analytics module of an ERP system, which incorporate information, reporting, data searches and performance monitoring dashboards, help managers in their strategic plans as well as daily operational business decisions.

Because business management effects every department, the degree of collaboration among the key decision makers enabled by ERP allows for resources to be synchronised with strategic plans and overall company goals. Performed correctly, this cohesive relationship can have a dramatic influence on the company’s competitiveness within its industry, leading to higher market share and revenues.

## The question of compliance

The compliance landscape has become harder to navigate safely in recent years. The last UK government passed record amounts of regulatory legislation and in the wake of the financial crisis the financial industry in particular has been subjected to further scrutiny.

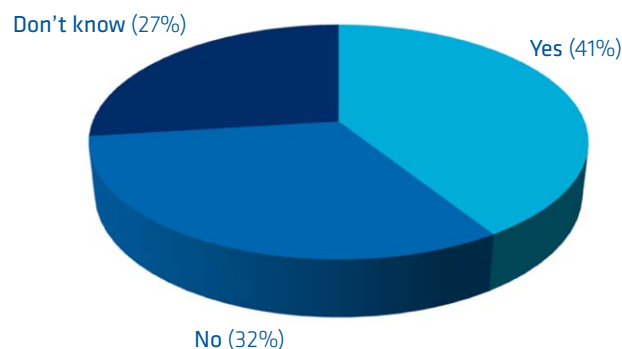
The financial services industry serves as an ideal illustration of the importance of data governance. The crisis in 2008 ensured that the customers of financial

institutions are more clear-eyed than ever about the risks they run by investing their money. Trust is imperative. Potential customers insist on knowing that their confidential information is safe. The government wants to make sure that citizens trust the system and that history does not repeat itself.

ERP software can help companies adhere to high standards of data governance because of its data centralisation. By preventing the situation in which multiple versions of the “truth” can coexist, reporting for compliance requirements becomes a great deal easier.

Forty-one percent of respondents stated that ERP software has helped them in their efforts to achieve and maintain compliance with the relevant regulations; 32 percent do not believe that it has (Fig. 4). However, compliance is an ongoing process and when asked whether they perceive a role for ERP software in future compliance plans 58 percent of respondents said yes. Only 16 percent saw no role for ERP at all in the quest for compliance.

**Fig. 4 : “Have you used ERP to help you to comply with any government or industry regulations such as Sarbanes-Oxley Act (SOX), Payment Card Industry Data Security Standard (PCI), ISO regulations, Financial Services Authority (FSA), Basel II, etc?”**



### Where now for ERP?

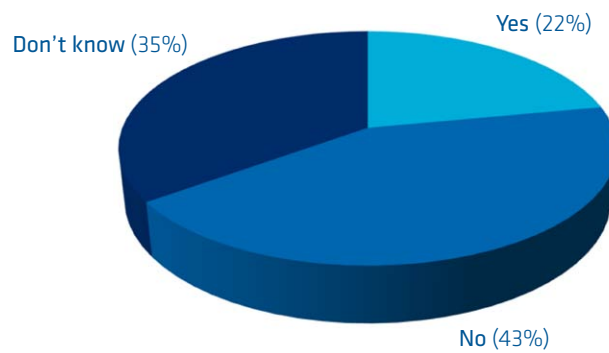
Asked about their plans to upgrade their ERP system or add further modules such as CRM or HR/HCM, 38 percent of respondents replied that they are actively planning an upgrade of some type over the short or medium term. This finding underlines the point that many business organisations are realising a great return on their investment in ERP software and those that have not yet taken the plunge are starting to see the advantages.

In addition to adding functionality to encompass further departments, work flows and processes, one upgrade in which respondents are showing a particular interest is the extension of their ERP software to mobile devices. The proliferation of mobile

devices is continuing apace with smart phones leading the way. Mobile ERP is beginning to be seen as a non-negotiable requirement for an increasingly distributed enterprise.

No analysis of any aspect of enterprise IT would be complete without a discussion of the cloud. *Computing* asked “Does the cloud have a place in your plans for the deployment of ERP or for its ongoing development?” A clear majority (57%) of respondents are either actively considering ERP in the cloud or are involved in ongoing discussions (Fig. 5).

**Fig. 5 : “Does the cloud have a place in your plans for the deployment of ERP or for its ongoing development?”**



If they want to take advantage of this groundswell of interest in cloud-based services ERP vendors need to up their game. Some are simply porting their software to public cloud services, whereas business organisations are demanding that ERP vendors rebuild their products in their entirety to allow them to derive the maximum benefits that the cloud computing model can offer.

The greater flexibility in deployment is one of the reasons that the SME sector (and now the mid market) is responding positively to cloud ERP. The harsh business climate of the last several years has made organisations less tolerant of risk from project implementations, and even more insistent that tightly restricted budgets are not exceeded. The risk and the cost of the traditional all-or-nothing ERP deployment is no longer an acceptable option. The cloud allows organisations to roll out ERP and place themselves firmly in control of the schedule. The costs of ERP remain under control because the vendor takes care of maintenance, upgrades and security. This fact alone removes one oft-stated drawback of ERP systems – that they are expensive and difficult to maintain. The cloud also allows for infinite scalability, in contrast to the more rigid, customer-owned licensing model.

Another interesting development is the rise of “social ERP”. Social CRM is already established, allowing organisations to leverage social media conversations and relationships with customers, the customers of their customers etc. Social ERP is the logical next step in the integration of social media into business organisations,

with the potential to extend social customer data throughout the supply chain. Whilst the concept of social ERP raises some interesting questions about privacy, it is one that will no doubt continue to gather momentum.

## Conclusion

As the economy emerges from recession, firms need to ensure they are positioned for growth and able to take full advantage of the changing conditions. It is clear that the advantages in terms of operational efficiency, financial flexibility and inter-departmental communications offered by ERP systems can provide a distinct competitive advantage to those firms with the foresight and capability to deploy them.

Improvements such as better financial reporting and cash flow, reduced duplication of data and processes, and enhanced strategic decision making were all cited as major benefits by the survey respondents. A significant number of respondents also stated that ERP has helped them to demonstrate compliance with government or industry regulations, and 58 percent of those responding to that particular question see a role for ERP in their ongoing compliance plans.

The survey indicates that restricted budgets are still a significant drag on the wider adoption of ERP software, along with concerns about finding the time to manage an ERP project. However, existing and future customers are driving the development of ERP to include cloud services, mobile capabilities and social ERP. These innovations mean that solutions are now on the market that are designed to meet the needs of smaller and more specialised businesses, meaning that those benefits enjoyed by enterprise are now available to a much wider user base.

There can be no doubt that ERP is evolving to meet the demands of businesses both now and in the future. One of the vendors driving this evolution is Sage. Sage provides a number of solutions aimed at different organisations, taking ERP out of its traditional enterprise environment and making it available to specific industries and niche markets.

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## About Sage

Sage is a leading supplier of business management software and services to 6.3 million customers worldwide, from small start-ups to global enterprises. Sage's range includes software to manage your business finances, run the payroll, manage customer and supplier relationships, plan the business and support your HR function. Sage offers several ERP packages.

Sage Accpac is an ERP product aimed at businesses with up to 500 users. This is part of the Sage Accpac Extended Enterprise Suite and is designed with scalability in mind. It is a global solution. The product is available in 3 editions – Accpac ERP 100, 200 or 500. Core to the product are financial and operational and CRM. Further options are available for Human Resources, Business Intelligence etc.

The Sage 200 Suite, aimed at businesses turning over between £1 and £20 million, comprises a comprehensive financial system, a market leading CRM system and a business intelligence module to enable real business agility. By combining financial and commercial information it enables the creation of data and business process flows that run through the organisation.

Sage ERP 1000 is designed for organisations turning over between £15 million to £75 million. A browser based solution for larger and multi-site UK businesses and the subsidiaries of large multi nationals. This modular solution will help you respond quickly to new business opportunities and can be implemented as required rather than having a single complex deployment that requires significant development work.

Sage ERP X3 is primarily aimed at organisations turning over from £15 million to £75 million plus. It is a multi-legislation, multi-lingual and multi-currency solution that can be adapted to suit the specific legal requirements of each user country. With industry specific tailoring to manufacturing, distribution and service industries, it is a complete and integrated management suite covering all aspects of an organisations operational process including production management, distribution, logistics, finance and HR to help streamline your operations, control costs and improve customer service.



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