What Is Your ERP Solution NOT Doing for Your Organization?

A new breed of business management solutions unifies people, processes and information more effectively than traditional ERP

exceptional SOFTWARE SOLUTIONS, LLC

WHITEPAPER: What Is Your ERP Solution NOT Doing for Your Organization?

Many organizations have implemented a form of Enterprise Resource Planning (ERP) to streamline manufacturing, distribution and financial processes. However, existing ERP technology has left some yearning for the same level of efficiency throughout the entire organization.

Valuable information about customers, employees, vendor relationships and more is typically locked within silos—from individual databases to file cabinets to employees' desktops. Moreover, traditional ERP systems don't encompass interactions with outside parties such as customers, suppliers and business partners. While ERP does a fine job of tracking manufacturing, distribution and accounting processes, businesses must understand the context behind these transactions to truly maximize efficiency and effectiveness.

Those organizations that have implemented their ERP software three to five years ago or more are likely currently evaluating upgrades with the belief that the latest version and functionality will enable them to drive further improvements to performance. In reality, rather than upgrading their existing packages, these businesses stand to benefit most from analyzing the areas of the business which their ERP system isn't currently tracking, and what can be done to better integrate these areas.

A new breed of business management solutions has emerged to unify all of these critical areas—an organization's people, processes and information—within one comprehensive solution.

History of ERP

ERP was developed to integrate all of the data and processes of a manufacturing/distribution organization into one, unified system. It came about from the evolution of manufacturing resource planning (MRP-II) that followed the development of material requirements planning (MRP).

ERP initially caused a reduction in the software applications that ran on the operational side of an organization (financials, manufacturing, distribution, warehousing), but such functionality only addressed the needs of a limited portion of the enterprise (15 to 25 percent of total employees).

Through market consolidation and continued development throughout the late 1990s and into the 2000s, ERP continued to evolve and add functionality that addressed the needs of more and more of the organization.

Many organizations still think of ERP as a "back-office" system that requires them to operate database silos that house information that first generation ERP systems did not address (i.e.: HRM, CRM, and document management).

With a large number of first-generation ERP systems still operating today, organizations are not realizing the full capabilities and advantages that today's ERP systems can deliver. This paper will address what first generation ERP systems are not doing for organizations and how recent developments can help deliver greater efficiencies that have substantial benefits and return on investment for their businesses.

What is your ERP NOT doing?

ERP integrates a range of back-office functions, such as materials planning, manufacturing, distribution, shipping and accounting, to help optimize performance within those areas. Originally, ERP systems were designed to bring automation that improved manufacturing processes.

This included tracking issues such as raw materials, work in process, inventory, order entry and cost accounting. However, these traditional systems are missing a tremendous opportunity for improvement by leaving front-office activities such as sales, marketing, documentation and support out of the equation. Moreover, interactions with external partners and vendors are not managed within ERP systems.

Mounting competitive pressures necessitate that organizations achieve greater visibility and cooperation across the entire enterprise. Otherwise, they are lacking in their ability to manage people, workflow and supply chain issues to maximize efficiency in providing full service to their customers. Typically, those using ERP systems had little knowledge of sales and service interactions beyond the order transaction and shipment. Likewise, sales and support teams could only tap into ERP systems to see order status, inventory levels, accounting issues and the like, but they were not supported in their need for customer requirements, contact management, complex sale process and knowledge management.

Today, savvy business leaders recognize the pressing need for real-time views across front and back-office operations so they can gauge and continually improve the health of their business as a whole. They are faced with increased pressure to monitor key drivers of internal performance, yet they are also tasked with accomplishing more with fewer resources.

Another important challenge with traditional ERP systems is the lack of integration between real workflow processes and associated documentation. Surprisingly, most employees still rely on email for their "to do" lists. However, this means important information and supporting materials are often hidden on individuals' desktops instead of being shared as knowledge across internal teams and throughout the organization.

Businesses require a system which eliminates these informal communication traps; they must integrate information assets, track interactions and share knowledge and documentation internally as well as with key customers, partners and vendors.

The lack of broader systems can also negatively impact accountability practices. This issue has become pressing as businesses face more stringent federal regulations and industrial certifications, such as ISO, that require a considerable level of traceability. Companies across a range of industries—from pharmaceutical to financial markets—need a framework to ensure compliance with relevant regulations.

An enterprise-wide solution

Progressive-minded businesses are moving away from this dated model toward comprehensive business management solutions that facilitate the free flow of people, process and information. Today's enterprise wide systems connect ERP systems with customer relationship management (CRM), human resources management (HRM), document/knowledge management, financial and workflow management systems. By seamlessly integrating every facet of the value chain, organizations not only have a record of what is happening within the business, but the added context of understanding the implications of these interactions—greatly enhancing decision-making.

Most importantly, an enterprise-wide system shows the interrelationship among various facets of the business. For example, a sales rep now has insight into the billing status of an account before visiting that customer; a marketing manager is able to see what excess inventory is still available before choosing which product to promote in a direct mail campaign; a shop floor manager can see which products cost the most to produce. These open processes foster greater collaboration both inside and outside of the organization, leading to improved performance and increased profitability.

In addition, by bringing together multiple disciplines and knowledge bases, organizations can identify the direct and indirect influences upon their operations. For example, customers are empowered to access their account information and easily place orders, greatly enhancing their relationship and satisfaction with the business, while suppliers can interact with the organization more readily with the ability to check inventory on hand.

This type of all-encompassing system has proven beneficial for strengthening an organization's ability to capture and retain its intellectual capital while controlling access to sensitive information. Instead of information sitting in a file cabinet or on an individual's laptop, access is controlled via rules and role-based guidelines. This opens lines of communication with outside partners, suppliers, and customers while providing greater controls over, and visibility into, who has access to what information.

Another commonly overlooked area of importance to achieving maximum efficiency is proper workflow. Correctly designed, workflow systems can unify people, processes and knowledge in the most economical and appropriate manner. Workflow does not depend on a crude "send only" model such as email, but on a process-centric view in which the system ensures that all assigned tasks are completed or elevated if the appropriate resolution has not been attained. Certain actions can trigger events, resulting in a chain of activities across the enterprise, so that nothing falls through the cracks and proper authorities are notified of any potential issues in the production chain before they become a larger problem.

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Benefits of an enterprise-wide solution

With visibility across the front-office and back-office within the context of ERP, organizations are able to quickly uncover hidden costs, inefficiencies and redundancies. What if, for example, the business could access an accurate, up-to-the-moment view of its personnel, finance, workflow, documents and asset information? This would give all members of the value chain meaningful data for making smarter decisions. The enterprise wide solution could encompass any number of applications previously isolated from view from CRM to HRM to document and project management. Moreover, it could incorporate key functions such as workflows to increase operational efficiency. However, simply sharing information internally may not be enough. Many organizations are extending this collaborative model, providing staff, customers, suppliers, business partners and investors with access to a single database of knowledge. The benefits of this are numerous.

- **Reduction in the cost of data capture, management and maintenance. Data of all kinds, including purchase orders, delivery notes, etc. could be stored and classified electronically, connecting both transactions and participants in a single location.**
- **Immediately speeds the retrieval and audit processes across the organization and organizes the documents needed to address financial, industry or quality certifications.**
- **Optimization of process flows reduces the number of actions required to process a transaction.**
- **Interactive planning provides the organization with a complete picture of current activities and investment effects in addition to the typical data of orders and margins. Thus it is not only possible to control the company on the basis of the traditional profit and loss accounting, but also to identify and measure the return on investment on complex process investments such as marketing-through-sales close and multi-department customer service.**

Branching out beyond manufacturing and distribution

Today's ERP applications are no longer just for manufacturing or distribution organizations. All organizations must track the costs of doing business and gauge performance toward goals and forecasts. Advanced ERP solutions even allow for establishing and tracking project, grant or retainer-based billing and revenue, and thus are a perfect fit for professional services, research or venture-backed businesses. Most service organizations face significant challenges related to accurately and efficiently capturing time and expenses, managing work-in-progress, generating and approving invoices or reporting on project and client status. ERP has traditionally handled such tasks for manufacturers, but has recently branched out into solving such tasks for services-based firms.

Complementary applications

With a wealth of information at the ready, it makes sense to find better ways to analyze and respond to this data, transforming it into actionable information that impacts decision making and performance. To that end, many organizations integrate business analytics and exception management applications into their enterprise-wide ERP systems.

Business analytics is not just a modernized reporting mechanism; it also affords managers a way to identify and take advantage of trends. It offers the power to quickly and easily build information views while dynamically combining and comparing data from multiple sources or different business functions. Business analytics applications are attractive because they give busy professionals a way to quickly interpret business metrics and key performance indicators.

Through business analytics, users can also access vital business information with greater consistency, perform in-depth analysis and share the results throughout the organization. They may choose to create personalized information views that are distributed based on a pre-defined schedule, or produce ad-hoc reports as needed.

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Of additional value are applications that allow the user to define specific events, or exception events, that require monitoring. This is useful in the case where you want to automatically trigger certain steps or actions in response to a data or transaction condition – for example, initiating a specified workflow within the system when inventory levels fall below a set level, sending an email or pager message to management, or generating a report. This is an ideal way to initiate early awareness and detection of problems (such as a customer whose purchasing has fallen off in the past three months, or a customer who exceeded a credit limit) and then obtain the proper resolution before they become serious issues.

Summary

ERP systems that are extended with integrated front-office systems have matured to the point where they are finally beginning to deliver on the promises of the past extending efficiencies across the entire organization instead of merely to discrete areas or departments. This continued growth and evolution of the technology is particularly beneficial to small and mid-sized businesses, which are under intense pressure to operate in a much leaner mode than their counterparts at larger organizations.

Exceptional Software Solutions LLC is an ERP software solution provider of Exact Macola software, serving SMB manufacturers & distributors across the U.S. and Canada. The firm sells, services and trains customers on each ERP and CRM product line offered by Exact, including Exact Macola 10, Exact Macola ES, Exact Globe Next, Exact Synergy and companion solutions. With more than 300 years combined experience and some of the world's leading Exact Macola and Synergy experts on its team, the firm creates solutions for complex ERP technology problems. www.esoftsol.net

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Macola is ERP and business software that manufacturers and distributors use to automate, manage and grow their businesses. The software empowers companies to take control of cost and complexity at every critical stage from design through delivery and see all facets of their business from a single application.

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Contact Information

Exceptional Software Solutions, LLC
Norman, IL

esoftsol.net
309-585-0178
tod@esoftsol.net

twitter.com/ESS_LLC
linkedin.com/in/todrepessllc
medium.com/@ESS_LLC

exceptional
SOFTWARE SOLUTIONS, LLC