

I D C T O P L I N E

New ERP Powers Next-Generation SMBs

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New Times Call for New Operational Models

Business today happens in real time, and even small and midsize businesses (SMBs) must now work as distributed enterprises. With the additional challenge of a slower economy, SMBs are seeking new operational models for a competitive edge — and enterprise resource planning (ERP) applications can help. For example, customer self-service, order tracking, and supply chain analysis are all necessities that ERP software can enable or improve to align employees and business processes with customer needs.

Thanks to technology advances, ERP applications are now a much better fit for SMB use. Deployment and maintenance are easier and less costly, and the software is more compatible with other applications across a networked environment. Less customization is required because interfaces between the ERP software and other applications are more standardized. Customization is easier, too, because of the component nature of the new ERP solutions, so applications can be tailored to an SMB's specific needs.

Moreover, ERP is now available in a software-as-a-service (SaaS) delivery model, enabling SMBs to pay for only what they use. Hosting also provides centralized management of multiple applications, saving IT costs. As a result, SMBs can gain an enterprise-class application tailored to their size and needs, with cost-effective support.

ERP Facilitates Enterprise Collaboration for Next-Generation SMBs

To improve the performance of their people and organization, SMBs need a set of integrated systems and processes, along with extensibility that facilitates innovation and collaboration across their partner network. ERP provides these capabilities, which can also leverage real-time information collaboration to enhance project success and increase customer satisfaction.

SMBs can gain additional benefits through the use of industry best practices and metrics. For example, a new class of ERP system used by so-called virtual manufacturers has emerged as a model for successfully managing interlocking partnerships and global supply chains. The software handles constant changes to product design, provides special handling of customer requests, and manages production flow processes for many different industries.

Virtual manufacturers have been honing their skills in building large numbers of products and serving a sizable base of partners and customers while relying on a relatively small number of employees. Rather than use a general-purpose business management system, these manufacturers have chosen solutions that enable them to compress time to market, scale operations dramatically by using a vast network of manufacturing partners, and seize emerging market opportunities through careful analysis of customer trends.

All these requirements are driving the adoption of a single, integrated system to keep track of organizational data, suppliers, and customers in order to enhance a company's collaboration capabilities. In a recent IDC survey of 302 IT managers, the majority of respondents cited ERP vendors as the solution providers they most associate with helping them achieve multienterprise collaboration.

Even SMBs that aren't manufacturers, however, can use ERP to achieve quality performance beyond the reach of their peers by deriving extra value through process efficiencies and better management and by uncovering opportunities in customer data. With ERP, an SMB can combine uses of data and share it across departments throughout the organization. Automating process chores with ERP frees up employee time for higher-value tasks and increases opportunities for revenue-producing activities.

In addition, using an ERP platform to manage applications can ensure that IT systems meet and exceed standards of quality, timely execution, and customer life-cycle service. By meeting these standards, SMBs will be able to compete with a broader range of companies in the global economy.

The ERP Edge in Action

To illustrate how small and midsize companies are benefiting from the transformative power of new ERP systems, IDC offers the following use cases:

- A midsize food distributor used to rely on an aging IT system to track and analyze inventory, sales data, raw materials availability, order status, and business planning, but the company started losing its edge. After installing an ERP system, the organization was able to gain more control over its supply chain and better meet customer needs. The company plans on adding functionality, such as customer portals, as necessary.
- A small technical services company was looking for technology on which to build a growth foundation. The firm selected a CRM application to strengthen its sales organization and enable mobile sales capabilities. This led to the adoption of ERP software to create a centrally managed approach to multiple business processes. The ERP application was implemented in less than three months and provided numerous benefits, including total project visibility from sales leads to project planning and from resource management to real-time collaboration with customers. In addition, standardization allowed for scalability and seamless extensions to other applications.
- An industrial components company installed ERP to manage several different corporate applications, including packaged systems, homegrown solutions, and legacy software. None of the existing software systems were integrated, and there was no common structure to analyze data on operations, customers, project history, and current status. By standardizing on an ERP system, the company now has a comprehensive set of functions such as accounting, sales and distribution, materials management, customer service, production planning, and human resources. The platform has proven invaluable in an industry where exchanges regarding product specifications are common and information must be disseminated between stakeholders simultaneously.

Improving Your Company's Financial Supply Chain

As ERP technology becomes more SMB friendly, integrated systems are replacing homegrown and single-purpose applications in many industries. Integrated ERP creates a standardized platform for project stakeholders and enables SMBs to share information, track and monitor progress to enhance collaboration, and remove communication barriers that typically cause cost overruns and delivery delays of products or services.

One of the biggest benefits of an integrated ERP system is its built-in support for accounting, procurement, scheduling, and other back-office functions, which improves the financial supply chain

of an organization. When a company cannot comprehend and analyze its financial data streams because of islands of automation, that's a huge disadvantage. To prevent that from happening, SMBs should consider adopting an ERP solution to simplify business processes, tackle operational inefficiency, and ultimately establish higher returns on investments.

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