



## The advantages of ERP for small and medium-sized businesses

Managing a business, particularly one focused on manufacturing or distribution, is not unlike juggling. Functionalities like production planning, procurement, inventory management, order fulfilment and shipping are balls which cannot be dropped. In order to maintain and align each of these complex processes across an entire organization, a comprehensive planning and tracking tool is needed.

## What is ERP?

In the time before ERP, businesses relied on manual processes to keep related departments in sync. Given the degree to which we utilize automated systems today, even in our personal lives, it's a genuine mental exercise to envision literal memos and purchase orders passed from one physical inbox to another, snaking their way through a warehouse in order to facilitate fulfilment.

Describing it as “a different world” is not an overstatement.

The first system for organizing the manufacturing process dates back to 1913, courtesy of an engineer named Ford Whitman Harris. Harris's model, known as economic order quantity, was focused on inventory management. It was, of course, entirely paper-based. For decades, EOC was the definitive means of organizing, planning and overseeing resources, even for large commercial organizations.





***“Without the ability to track materials, orders, customers, billing and shipping in a single system, many of today’s powerhouse players simply wouldn’t be able to compete.”***

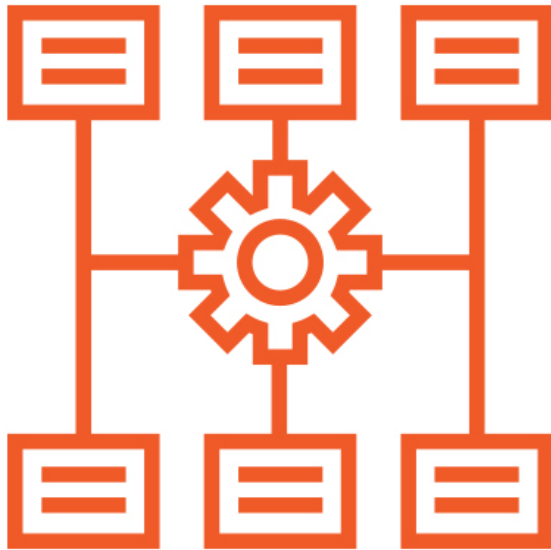
Things took a significant step forward in 1964. That was the year Black and Decker implemented EOC principals in a digital environment, migrating the process to a mainframe computer for the first time. The resulting system was dubbed material requirements planning.

Like EOC, MRP became an industry standard. Its reign, however, was shorter-lived. In 1983, manufacturing resource planning introduced a new conceptual approach. Software modules were added to the underlying structure, allowing for the incorporation of manufacturing tasks outside the scope of material requirements. The new system was given the acronym MRPII to distinguish it from material requirements planning.

In addition to the introduction of modules, MRPII brought another innovation to resource management. Businesses began to see value in using their own internal data to improve efficiency and decrease waste. It was now possible to analyze performance and identify bottlenecks. Armed with this ground-breaking knowledge, organizations were able to overhaul their production processes, tweaking them to eliminate delays and capitalize on newly identified best practices.



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Before long, companies operating in other verticals, like customer relations, human resources and finance, recognized the value similar analytics could bring to their industries. MRPII evolved beyond its manufacturing and distribution roots to include a host of other business categories. The bedrock of the technology – resource management across multiple departments within a single organization – remained the same, but the range of practical applications exploded. A new term was coined to refer to the resulting software: enterprise resource planning.

ERP has changed how multiple industries do business. Without the ability to track materials, orders, customers, billing and shipping in a single system, many of today's powerhouse players simply wouldn't be able to compete. How could Amazon, for example, make good on two-day delivery without this kind of system? The short answer is, they couldn't. Not while maintaining their competitive pricing model.

When it comes to data management, automation is essential. The fewer the opportunities for human error, the better. When information flows from one



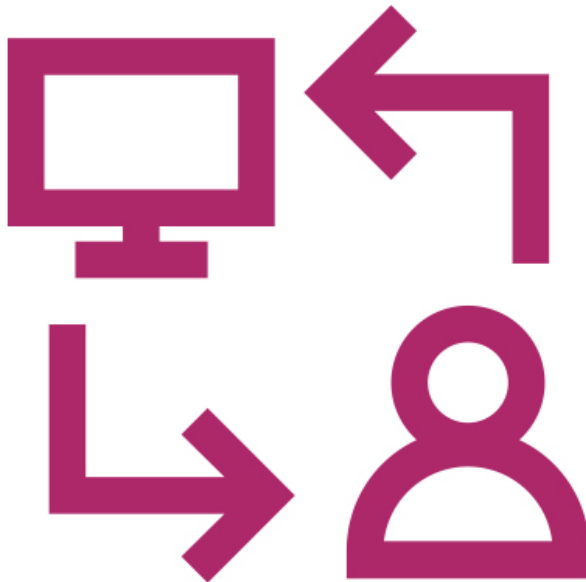
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department to the next in a live environment, everyone benefits. The increased efficiency lowers overhead, improves turnaround time, reduces mistakes, and creates a level of internal transparency that empowers the entire organization.



You've seen this in action if you've ever had to contact Amazon customer service. The representative on the other end of the phone is able to access all kinds of pertinent information about your order on the fly. He can tell you when you placed your order, whether or not the item is in stock, when it's scheduled to ship, and when you can expect delivery. Without an ERP managing all this information in the background, none of that insight would be possible.

And the operational savings are real. By one estimate, real-time data can reduce an organization's operational expenses by as much as 23%. However, the benefits of ERP innovation weren't available to everyone until recently.

Initially, ERP implementation was limited to large organizations. The backbone of the software was static, covering the most needed bases, but it required



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extensive customization to be truly beneficial. And yet, even with highly individualized customization, it wasn't unheard of for enterprise organizations to rework significant elements of their internal processes just to accommodate a new ERP system. An ERP rollout was a huge undertaking. The time and money needed to facilitate deployment made ERP packages thoroughly impractical for small and medium-sized businesses.

The SMB market was left to make due with manual systems that didn't include the kind of cooperative, cross-platform convenience that ERP software makes possible. As a result, few SMBs even considered utilizing an ERP suite. The benefits simply didn't outweigh the cost.

But that's changing. New modes of ERP implementation have opened the floodgates, allowing businesses of all sizes to reap the rewards of top-tier resource management. We'll explore those rewards in the next chapter.



### How an ERP System Can Transform Your Business



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In 2008, Michael Phelps already had the attention of the world. He went to the Beijing Olympic games with multiple world records under his belt. In fact, of the six individual events Phelps entered there was only one for which he did not already hold the world record: the 100-meter butterfly.

Phelps wowed the crowd during that event, pushing himself in the last 50 meters to make a comeback. The race concluded with a dramatic finish, so close that judges could not determine a winner based solely on the photo. Officials had to rely instead on the touch pads installed at the end of the pool, determining that Phelps won by a mere one-sixth of an inch.

Phelps' victory is a fascinating study in the importance of efficiency. Had he swam with a little more drag or a little less power, he would have gone home with the silver, not the gold.

When a business is in growth mode, even slight improvements in efficiency have the potential to make a huge difference. For the small to medium-sized business, this is particularly true. The momentum generated by improved efficiency can push you into the lead while the competition stalls out.

***“96% of top-performing, growing businesses rely on an ERP.”***

***– The Aberdeen Group***

Recent research agrees. According to a 2016 report from the Aberdeen Group, 96% of the top-performing companies experiencing growth. These businesses are twice as likely to have access to custom reporting, enabling them to fine-tune performance in real time. As a result, their profits rose an average of 10% over the course of the last two years.



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How can an ERP system make that kind of difference? Below are four key advantages of incorporating an ERP solution into your business process. This is not an exhaustive list. There are dozens of additional benefits. Consider these the high points.



### 1. Custom Reporting

The ability to create custom reports, on a schedule or on the fly, is powerful. Large corporations rely on reporting to track KPIs across the entire organization. If one department or functionality falls behind, you'll see evidence in the numbers.

However, you can't produce useful reports without a system for housing and compiling all that information. For example, there's simply no way to know how long it takes for materials to work their way through the manufacturing process from start to finish if you aren't tracking everything from inventory intake, through production, on to shipping and delivery.

An ERP solution provides a single environment for gathering and housing data, making it possible to generate reports that clearly show where you're already efficient and where there's room for improvement.



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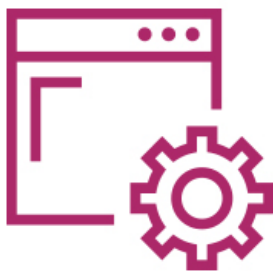


## 2. Cost Reduction

Effective ERP implementation will almost always cut administrative costs.

When employees have fewer manual processes to weigh them down, they'll be free to take on more innovative, profitable projects. Not only that, but work flows more easily. Turnaround time decreases and your production capability goes up.

For businesses with inventory requirements, ERP solutions create the opportunity for another kind of savings in the form of inventory management. An ERP system can help forecast demand for specific materials, decrease overstock, and track real-time supply. When supply chain management runs smoothly, your entire organization benefits.



## 3. Automated Workflow

Human error is inevitable. It's also one of the biggest efficiency gaps in most organization. The more often your business process relies on a human being to



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re-enter the same data, for example, the more exposed you are to potential delays and problems.

Automating data flow makes it far less likely that human error will result in missed orders, inventory mishaps or miscommunication. When your business operates like a well-oiled machine, customers get a consistently reliable experience and employee satisfaction gets a boost. The positive effects of both are exponential contributors to growth.



#### 4. Scalable Production

Finally, ERP brings a game-changing level of scalability to business processes.

If a company relies on manual processes for order fulfilment, what will the employees do if there's a growth surge? How will they handle twice the volume they're accustomed to? How likely does it seem that important tasks will fall through the cracks as the team scrambles to cover all the bases?

While a significant increase in volume will cause growing pains for any business, ERP can greatly reduce the impact. The automation alone will take much of the burden off employees while guaranteeing a solid record of workflow. That frees your most valuable resource – your people – to handle everything else.

The advantages of incorporating an ERP solution are considerable. What's more, cloud solutions make it more practical than ever for businesses of all sizes to harness that power.







## ***“Cloud-based ERP systems are about 30% less expensive than traditional on-premise solutions.”***

— CFO

Some of those costs can't be avoided. Even small businesses with few employees will have to change how they work to make use of an ERP solution. But the overwhelming cost of the software and hardware can be mitigated significantly by utilizing a cloud ERP solution.

Cloud-based ERP offers all the functionality of an on-premise solution but are housed remotely. What does that look like? If you've ever used a web-based email or storage service, then you're already familiar with the cloud. Like those services, cloud ERP solutions aren't kept locally. You don't have to purchase and maintain your own server. Instead, you access the cloud solution via a protected internet connection.

Because cloud solutions make use of secure remote servers, entry costs plummet. The numbers tell the story best.



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On average, cloud-based ERP systems are about **30%** less expensive than traditional on-premise solutions, and that's just the initial cost. Cloud ERP is generally faster to deploy, which means you'll experience fewer delays and less downtime while the new system rolls out. Additionally, support and maintenance are taken care of for you by the ERP provider, so you don't have to hire additional IT staff, either.

Strategic small business owners can further their savings by being selective about the ERP solution they choose. One notable standout is Acumatic's offering. Unlike most cloud ERPs, Acumatic doesn't bill according to the number of users, but instead allows for unlimited users. This gives the small business unprecedented power, allowing for every employee in the organization to access the ERP setup without driving up the cost.

Another advantage of cloud ERP is accessibility. Not only can you login from any computer, but many leading ERP packages offer mobile access, as well. As long as you have a laptop, tablet or phone, you're connected. That means you can get to critical data anytime, from anywhere.



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Furthermore, the scalability of cloud-based ERP is even greater than that of on-premise ERP software. Your initial deployment doesn't have to include every module you might want to use at a later date. If you feel you don't need a module now, don't subscribe to it. You can always add it later just by updating your subscription.



In the large business sector, there's a lot of debate about cloud ERP versus on-premise ERP. That makes sense. The larger the organization, the less dramatic the cost difference. Many large corporations prefer the higher entry cost of on-premise ERP over the recurring cost of a cloud-based solution. Over time, a big businesses could easily save more money with the on-premise option.

But for the small business owner, the cloud-based solution is typically more cost effective in both the short and long term. On-premise options are so much more expensive to purchase and maintain that small businesses are nearly guaranteed better value by opting for a cloud-based ERP rollout.

Of course, cloud versus on-premise is only the first of many critical decisions to make when selecting an ERP solution. In the next chapter, we'll discuss some



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key questions to consider when choosing how to implement ERP for your business.

## Picking the Right ERP Solution



ERP implementation is a huge undertaking. Survey data on implementation outcome reveals an increase in the percentage of respondents claiming neutrality in regard to project outcomes – from 21% to 36%. That means 36% of respondents responded they “Don’t Know” if their ERP project was a success or a failure.

And yet, the benefits of utilizing an ERP solution are significant. Which begs the question, how does an organization take on the challenge of finding and implementing the right ERP the right way? In a word, strategically.

In a sense, there’s no such thing as an easy ERP implementation. By its very nature, the solution should be flexible, fitting your business in ways that work *with* you. While there may be a need to adjust some existing process, the end result should be a faster, leaner, more profitable version of your current organizational structure. If implementation exceeds budget, misses deadlines, or doesn’t add significant efficiency, why integrate an ERP solution at all?



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## ***“Increase in respondents claiming neutrality in project outcomes ... 21% last year to 36% this year.”***

— Panorama Consulting

The good news is that your ERP rollout isn't predestined to fail. If done the right way, implementation can happen on time and under budget. Not only that, but you really can lower costs while increasing efficiency.

The key is a strategic approach. In this chapter, we'll cover five critical considerations for the introduction of a new ERP solution. If these bases are covered, you'll be set up for implementation success:



### 1. Define Your Goals

Your ultimate goals are most likely identical to those of other companies: lower costs, improve efficiency and increase profits. That's a given. However, it's important to determine the specific targets unique to your organization.

In order to facilitate this, you'll have to take the time to dive deep into your own processes. Where are the bottlenecks, for example? What manual processes do you currently employ that could be automated? What custom reports would



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give you the best picture of your organization's overall effectiveness? How might data flow more easily through your company, especially between departments? And what might your people be able to do if they won back some of the time they currently lose to inefficiency?

When you have an idea of what's not working, it's easier to envision a better business process. Start by focusing on pain points. Be sure to engage your team in this process, as well. Your people will be able to provide feedback no report can match.



## 2. Identify Your Requirements

Now it's time to shift gears and get more solution-focused. The guiding principle at this point is pragmatism. What sort of software features and functionality will actually work for your business?

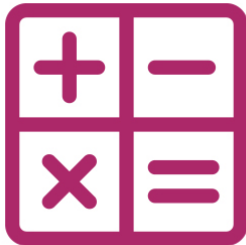
No ERP solution is one-size-fits-all. As a result, you'll need to determine the technical requirements for solutions that will and won't work for you. Are there existing programs in use that you simply cannot live without? Does your organization have any proprietary software you'd like to maintain? Is mobile/remote access an important factor?

It's also wise to give some thought to scalability. Don't limit the scope of your consideration to your current operation. What if your company doubles in size? What if that growth means more employees? More stock? More orders? What





sort of functionality might be necessary to maintain smooth delivery, even if you find yourself in an aggressive growth mode?



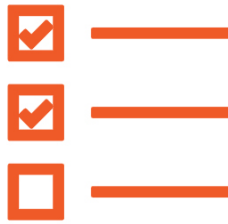
### 3. Determine Your Budget

Continuing the theme of practical concerns, you'll need to establish a budget for your ERP. The budget should include implementation, maintenance and hardware upgrades, if needed. It's also wise to take into account intangible costs, like slower turnaround times while the new ERP is brought online and as your people get accustomed to the new solution.

This is a good time to weigh the pros and cons of on-premise versus cloud ERP solutions. Both are valid formats with their own advantages. Most small businesses will find cloud-based ERP systems to be more cost-effective, while many large corporations are better positioned to take advantage of the long-term savings of on-premise solutions.

If you find yourself leaning toward a cloud-based ERP, be sure to take into account the subscription cost per user, particularly if you anticipate growth. While Acumatica, the ERP provider mentioned in the previous chapter, offers access for unlimited users, most cloud ERP solutions assess a per-user fee.





#### 4. Explore Your Options

With a clear idea of your goals, your requirements and your budget, it's now time to begin the daunting task of actually comparing different ERP solutions. There are no shortcuts here. While comparison shopping may not be particularly fun, due diligence will serve you in the long run.

There's no way to know which ERP will work best for your organization without doing some homework. However, comparative analysis takes time, and that alone leads an alarming number of business leaders to short-circuit the process, going with the first ERP they find that looks good. As understandable as that impulse is, the stakes here are high. A solid fit can make a big difference for your company.

Even if you've already got your eye on a specific solution, it's prudent to look at other options.



#### 5. Develop Your Implementation Plan

The final piece of the puzzle is actually mapping out your implementation, including deadlines. Given the sweeping nature of ERP implementation, best



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practice is to make sure your entire organization is familiar with the project and has an accurate picture of both the scope and schedule of the project.



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