The second-best reason you need ERP right now

By Gerrit Olivier   27 Feb 2019

Nearly half (49%) of all the respondents to Aberdeen research said they don't get ERP solutions because their businesses are just too small to justify the cost. In the age of cloud that's no longer necessarily a valid reason. But the biggest issue may be the second-most common excuse, that they've worked just fine in the past without it (26%).

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Those same companies, according to the Aberdeen report: The Cost of Doing Nothing: Why you can't afford to sit on an ERP software decision, by Nick Castellina, usually report six other business challenges they face.

The 231 respondent businesses say they have redundant data (35%), business systems that don't talk to one another (33%), business systems that don't work with the business processes (28%), it's too difficult to share data with others outside the business (23%), collaboration's too difficult (23%), and their data is inaccurate (23%).

There are some pretty significant issues in that gaggle but an effective ERP solution could fix the lot of them.

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Agile, flexible businesses in the era of digitalisation, the cloud, and the fourth Industrial Revolution – and the organisations trying to compete with them – need a solid foundation to build on their capabilities.

Integrated business systems that foster collaboration and the ability to respond to changing market and industry scenarios provide exactly that.

The horror stories of the past that include poorly implemented solutions with enormous cost overruns, among other issues, are a thing of the past. The proliferation of open systems running in collaborative cloud environments and standard APIs have nearly raised the effectiveness of ERP deployments to the same standard of deployment as any other business software.

The remaining question for most businesses is whether or not they can afford to get ERP.

A lot of people look at the cost of the software licences, the buying and installing equipment, configuring software, and ongoing maintenance costs. But there's more to it than that. The true cost of ERP is the return on investment (ROI) minus the total cost of ownership (TCO).

Some results can be hard to measure, such as improvements in employee satisfaction and teamwork. Even customer satisfaction can be difficult to truly measure. However, some industry experts have supplied benchmarks that can be useful in estimating typical results.

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It's also important to remember that the software license fee is not the cost of the software. The total cost of owning and maintaining the system for about a decade includes a bunch of hidden HR costs plus the maintenance. You're typically looking at around 18% of the current list price.

That means you're effectively re-buying your system every five and a half years. You get to maintain a legacy system, without any additional business benefit, for that fee. It's what we call the cost of doing nothing.

With modern ERP, though, you get much better ROI. The top three benefits? Automating and continually improving business processes, full operational visibility, internal and external collaboration among business divisions, suppliers and customers.

In fact, across industries, top performers improved a number of business processes, including financial results (79%), sales (67%), sourcing (63%), inventory planning control (40%), and control of business operations (35%).

If you don't have ERP then you have a simple choice: believe you can adjourn the decision until later or get the benefits now.

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