
When it comes to enterprise resource planning (ERP) solutions, one size clearly does not fit all. In fact, it remains a popular misconception that ERP in general applies only to large enterprise organizations — a misconception that the term “enterprise resource planning” does little to dispel.

In reality, however, ERP is no longer a luxury that only the largest companies can afford. Quite the contrary, it is fast becoming a necessity that companies cannot afford to be without — regardless of their size. New pricing and more flexible architectures, such as those based in the cloud and offered on a pay-as-you-go software-as-a-service (SaaS) model, are contributing to increasingly rapid adoption among small to midsized businesses (SMBs) around the world.

Global business software and ERP leader SAP can attest to the technology’s accelerating uptake among SMBs. As recently reported by InformationWeek SMB, the company now estimates that 78 percent of its 102,500 customers worldwide are actually small and midsize firms. Multiple contributing factors are at work in the SMB marketplace, creating this trend toward replacing aging single-purpose bookkeeping systems and manual spreadsheet-based processes with integrated ERP solutions, according to Jeff Stiles, senior vice president of small and midsized enterprise marketing for SAP AG. Among these factors is a growing realization that integrated ERP systems have become an affordable option for smaller companies, Stiles said.

A June 2010 Aberdeen Group report, “Think Your Organization Is Too Small for ERP? Think Again,” found that despite plentiful evidence to the contrary, one-fifth of all SMB executives surveyed cited prohibitive cost as a barrier to adopting an ERP platform for their companies. The gap between perception and reality was illustrated in the report by Aberdeen’s interview with Mel Jones, CEO of Sterling Planet, a midsized renewable energy company that recently switched from a single-purpose accounting system to an integrated ERP solution. “Our first perception was that [the] software would be too expensive and out of our reach,” Jones said. “What we found was that we simply pay by the seat (per user) and that it was far more affordable than we had envisioned.”

As an example, SAP has stated that pricing and deployment options for its Business One integrated ERP system for the SMB market start as low as $149 a month, on a per user basis. Companies considering a deployment should also take into account how quickly they are likely to recoup the costs, and the potential return on their investment. As an example, Schumacher Elevator Co., a midsize business with about 100 employees, estimated its ROI for an SAP implementation was substantial: an 89 percent increase in revenue, coupled with a 50 percent reduction in IT costs, according to SAP.

“When we started the project, we estimated [we would] save about $400,000 a month by putting SAP in,” said Jeff Ribeiro, vice president of information technology at Harvey Building Products, Waltham, Mass. “We were able to accomplish this with a combination of reduced inventory, faster turns, better payments to our vendors and reduced employment levels.”

Julia Kulinski, general manager of CI Business Systems, London, said, “I look at the running costs of SAP software — which for us is the equivalent of one full-time employee — and then at the value the software delivers to the business. There’s no way one person could deliver this much value to the business.”

ABOUT THE AUTHOR
Veteran journalist and author Steve Kovsky has covered information technology for nearly 20 years in print, radio, television and online. Steve is a prolific writer whose body of work has been widely read by both IT professionals and consumers worldwide.
New licensing and delivery models may be making ERP solutions more affordable, but SMB executives who have been at the forefront of these implementations will readily admit that not all of the costs associated with adopting an ERP system can be measured by the impact on a company’s IT and operations budgets. In the same vein, some of the benefits of implementation are equally hard to measure simply in terms of the balance sheet.

**PICK A PARTNER**

*InformationWeek SMB* recently spoke with a few SMB early adopters and asked them to share some of their personal best practices, and to describe lessons learned as a result of implementing ERP for their organizations. One common thread among these SMB-scale ERP veterans was the recommendation to select an experienced implementation partner to assist with rolling out a solution tailored to each company’s specific business needs and business processes.

“First of all, we selected an implementation partner that we felt would understand the challenges of being a ‘middle-market retailer.’ Namely, we were resource-constrained in every area and all departments did ‘double duty,’ as there were almost no full-time project employees,” said the CIO of a U.S.-based, midmarket specialty retailer that recently implemented an ERP solution from SAP.

Another recent ERP implementation veteran is Todd Linscott, CEO of Torelli Bicycle Company in North Hollywood, Calif. Linscott came away with a very similar perspective following his company’s successful rollout of an SAP solution, which was accomplished in conjunction with an SAP integration partner.

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– Todd Linscott, CEO, Torelli Bicycle Company.

“'This is not one you go at alone. You definitely need to have an implementation firm assist you. We were fortunate to be working with one of the premier installers of [SAP Business One] in the country, and they have the experience,'” Linscott said. “They come with many years and many, many system implementations under their belt, so you need to be able to leverage that.”

Torelli’s Product Design Manager Christian Feldhake described the participation of the SAP integration partner as a “priceless” addition to the company’s software implementation tool chest. “It’s like when the iPhone came out, the best thing to do would be to have had Steve Jobs standing next to you, showing you how to use your iPhone.” He said “With [the SAP implementation partner] here, it really felt like we had someone we could go to and get a lot of solutions in an instant, instead of having to e-mail back and forth.”

**RECOGNIZE YOUR LIMITATIONS**

Another best practice identified by these SMB executives was the need to recognize the limitations of a small staff, and to pace their ERP implementation plans accordingly.

“Each person did [his or her ERP] project duties, and performed the normal job functions, as well. That extended from the merchandising departments to planning, IT and even store personnel,” said the midmarket CIO. “We all tightened our belts and worked a lot of hours.”

Smaller companies such as Torelli may find the process even more challenging, with fewer internal staff to share the load of switching over to the new backend business systems. Linscott said that even with the heroic efforts of the implementation partner’s outside implementation team, the project took a discernible toll on Torelli’s four-person crew.

“We are a very small company, and we have a very small staff. Going through an implementation process like this really taxes the resources that we had available, and we could not take time out of the day to say ‘we’re turning off the phones, we’re not taking that call, we’re not taking that order,’” Linscott said.

However, simply waiting until the company was larger and better able to handle the strain was not an option, he said. “A lot of people have said, ‘You’re pretty small to go through this implementation right now, and a lot of the benefits aren’t going to occur until you’re a larger company.’ But when we’re heavily into a growth phase, that’s an even worse time to try to go through an implementation like this, so it’s better that we do this now and prepare for the growth curve we’re headed into.”

Whether your company is a large enterprise or a small business, the drain on internal resources within the organization is often one of the biggest challenges of an ERP implementation. However, in a large corporate environment, it may be possible to assign a dedicated project team to focus solely
on the implementation. Unfortunately, in a small business, workers involved in the ERP implementation often do not get a break from the day-to-day requirements of operating that business.

Implementation experts and experienced SMB managers seem to agree on the importance of striking a balance between the rigors of the ERP implementation and the ongoing needs of the business. It may be necessary to increase staffing, rely more heavily on an integration partner, revise and extend the timetable for implementation, or some combination of these measures, to reach the desired goal of completing the ERP installation without disrupting operations or affecting sales.

**MAKE TIME FOR TRAINING**

“One place where we sacrificed and cut too much was in internal technical training,” the midmarket CIO admitted. “We really should have given more time to training technical resources in more functional configuration and data warehouse support. We have survived while maintaining a very low cost structure, but it hasn’t been optimal. Of course, hindsight is always 20-20.”

Linscott echoed the sentiment, saying that he should have made a greater effort to involve other staff members at an earlier stage in the implementation process. In addition, he said he should have focused on taking better advantage of online training and other educational resources offered by SAP and its implementation partner. In particular, he expressed some regret about not fully leveraging the “sandbox” environment that the SAP implementation partner initially provided as a training ground, prior to going live with the actual production environment of the ERP solution.

Feldhake of Torelli also emphasized the importance of getting “buy-in” from staff members as early as possible in the implementation process, to maximize the time they can devote to training and eventually, to mastering their new ERP tools. “What you really have to do is sit down with the people who are going to be implementing this and have them accept it,” Feldhake advised. “Once they accept it, they need to go full force into this software and really get as deep as possible.”

With acceptance comes enlightenment, according to ERP veterans such as Jason Dugan, CFO of Trudeau Distributing Co., Burnsville, Minn. “The software’s flexibility and simplicity make every user an expert,” Dugan said of SAP Business One.

“Our training costs were minimal,” agreed Tom Lucak, CFO at Electra-Sound, Cleveland, Ohio. “SAP Business One is an intuitive solution to use.”

**PACE YOURSELF**

The midmarket CIO recommended taking a measured approach to implementing the full feature set of integrated ERP solutions. Looking back on his company’s successful adoption of the technology, he attributed some of that success to simply “knowing that we could not consume all of the SAP modules in one implementation.” Instead, “We chose to take a safer route and keep some of our [existing] best-of-breed systems to support some business processes. Since we already knew those processes and the inputs and outputs of those systems, we felt that developing interfaces to SAP would reduce cost, time and risk. As it turns out, we were correct,” he said.

Torelli’s implementation partner agreed that adoption of an integrated ERP system should be approached as an evolutionary process for smaller companies. The integrator estimated that after conclusion of the first phase of Torelli’s SAP implementation, the SMB company was actively using only about 50 percent of the total functionality available in the SAP solution.

While every day brings new discoveries about the software environment’s capabilities, Torelli is typical of smaller companies that have a vision for growth and have elected to implement a software platform capable of sustaining that growth, according to SAP’s Jeff Stiles. “One of the reasons companies choose [an SAP integrated business solution] is that it will grow with their business,” Stiles said. “We have customers that have as few as two users, and we have customers that have hundreds or even thousands of employees... and it does scale with their business as they grow.”

**PUT ‘BEST PRACTICES’ IN PERSPECTIVE**

Like ERP technology itself, so-called “best practices” are not universally applicable. What may constitute an optimum procedure and outcome for one company may not necessarily provide the best fit for everyone. In the final analysis, gaining greater control and visibility throughout your com-
pany’s operations should be the critical measure of success.

Beyond that, companies looking for a competitive edge may find that simply adopting established industry best practices does not go far enough. With the right implementation partner, it may be possible to innovate further, and truly maximize the benefits that ERP practices bring to an organization.

“Overall, when it comes to optimization of business processes, we typically don’t look at what others are doing and decide if it is a ‘best practice’ or not. We tend to put a lot of emphasis on the advantage of the process as we have defined it, to see if it truly lends a competitive advantage,” the midmarket CIO pointed out. “If so, we stick with it, regardless of what others do,” he said.

“While ‘best practices’ are good, they are merely the best of what’s already out there,” he added, “and if you match the best practices of your competitors, you are simply meeting them on level ground. Our desire is to extend beyond current practices and innovate if possible, to gain the competitive advantage,” he said.

Linscott’s advice to SMBs is not to be afraid to innovate and create your own best practices. “Be scared, but not too scared. Any change is scary, but you have to look beyond the implementation, and the pains of the implementation, to reap the benefits,” he said.

Above all, don’t succumb to the inclination to wait for a better time to take the plunge into ERP, Linscott said. “It’s kind of like family planning. If you wait until everything is perfect, you’ll never have that child. You have to just say, ‘We’re going to do it and we’re going to make it work the best we can, right now.’”

TIME TO MAKE THE MOVE

SMBs that are contemplating the move to an integrated ERP platform need to carefully weigh a number of factors, and take precautions to ensure minimal disruption to their business operations during the implementation process. Major “takeaways” from this exercise are likely to include the following conclusions:

• Actual costs for deploying a full-scale ERP solution are not prohibitive for small and midsize companies, despite common misconceptions to the contrary.
• Picking a qualified implementation partner is not considered optional by most leading software vendors, or by SMB executives who have experienced an ERP deployment firsthand.
• It’s important to recognize your company’s limitations, and compensate for them. In the case of smaller companies, for example, staffing levels may have an impact on implementation timelines, so plan accordingly.
• Don’t forget to make time — and budget — available for training your staff. Even a minimal investment in training, as well as time set aside for learning with a “sandbox” environment, can pay significant dividends in terms of how quickly your company recoups its ERP investment and starts adding to the bottom line.
• Pace yourself, and don’t expect to immediately capture all of the utility of your new ERP platform. It may take up to a year or more to fully integrate all of your business processes with the new platform, so start the implementation project with those areas that will have the biggest impact on achieving your business goals.
• Remember that like ERP systems themselves, there is no “one size fits all” solution, and as a result, no single set of “best practices” that apply literally to every business case. Study the best practices used by other organizations, then apply common sense as you adapt those practices to your own internal business operations.

For additional details on how SMBs are taking advantage of today’s most advanced ERP technologies, visit http://www.sap.com/usa/sme/index.epx