

# ERP Checklist:

---

6 Critical Questions for Business and IT Leaders

*How to Choose a Modern Business  
Solution to Support Growth and  
Maximize Efficiency*

## Executive Summary

Whether in good economic times or bad, it's critical to provide your employees with access to the business information they need to make good decisions, quickly. To grow, or even maintain market share, your managers need an easy way to find out what's happening with customers, employees, inventory, and revenue goals.

As your organization faces new challenges, you must continually evaluate whether your work processes and IT solutions are providing managers with what they need to help grow your business—or whether they are holding you back. By periodically performing a gap analysis, you can see where your business is headed and if you have the right tools to get there.

Whether you've outgrown your small-business accounting software or your current ERP solution, this paper addresses six key issues, including how to:

- 1. Streamline operations to improve productivity and profitability**
- 2. Meet regulatory requirements**
- 3. Improve your decision-making capabilities**
- 4. Enable your employees to work anywhere, anytime via mobile technologies**
- 5. Enhance collaboration with business partners**
- 6. Grow your business globally**

This white paper will help you perform a preliminary gap analysis in each of these areas. The idea is to help you determine whether you need to upgrade your existing IT solutions and business processes—or move to a modern ERP system—to meet your current business requirements as well as adapt to future changes.

*As your organization faces new challenges, you must continually evaluate whether your work processes and IT solutions are holding you back.*

---

## Introduction

A lot of companies rely on a combination of manual and automated workflows, departmental applications, and legacy databases to run their business. While this may work at the beginning, such a plan can eventually become awkward and get in the way of productivity, profitability, and growth.

In time, rust sets in. Incompatible systems cripple growth, profits, and efficiencies. That's why companies can benefit from modern ERP software to help them understand and define best practices, optimize activities, and gain control over business processes.

## ERP: STREAMLINING CORE BUSINESS PROCESSES

If you can eliminate manual tasks or accelerate the speed of work, you can realize enormous gains in efficiency. These are just a few examples of the key processes ERP helps you streamline.

- Posting transactions to a general ledger
- Preparing financial statements
- Preparing invoices, bills of material, and other documents
- Tracking changes and managing user verifications
- Enforcing inspections at key points
- Exception handling
- Approval routing
- Alerting management to issues

Organizations take advantage of modern ERP systems to automate business processes, improve accuracy of information, and accelerate data flow, freeing staff to concentrate on solving problems and identifying new opportunities. Put simply: state-of-the-art ERP tools help companies improve productivity and dramatically reduce operating costs.

Many ERP solutions also come with integrated customer relationship management (CRM), human resources management, and business intelligence (BI) applications. CRM solutions streamline and integrate customer-facing processes and provide richer data to sales, marketing, and service personnel to produce significant reductions in the cost and time spent acquiring, serving, and retaining customers. HR systems help organizations manage their workforce more efficiently.

ERP solutions working in parallel with BI provide companywide insight into even the most rapidly occurring changes in business conditions. This enables key decision makers across the organization to access the same new sets of data, so they are all working from the same “truth.” Managers may quickly and effectively initiate an appropriate response to any anomalies, which ultimately improves overall performance.

## Performing Your Gap Analysis

The ERP marketplace is changing and innovative, and your company may be uncertain as to when it may have outgrown its legacy systems or what new benefits are now possible. Management teams should periodically perform a gap analysis to determine whether it's time to upgrade to the latest version of their existing technology or switch to a more modern ERP system.

This gap analysis begins by making two lists. The first chalks up key characteristics of your company's present situation. The second outlines your “wish list,” or factors necessary to achieve your future objectives. The difference between them represents your gap.

The following sections are designed to help you build that wish list and understand areas where modern ERP solutions can take your business to the next level, beyond what your current software can deliver.

Completing this gap analysis will give you a first step to knowing if your existing processes and technology solutions meet your current requirements or whether you should consider bringing in a consultant to perform a more detailed evaluation to determine whether you would benefit from a modern ERP solution

### 1. Do you need to streamline your operations to improve productivity and profitability?

Manual processes are time consuming and siloed systems can lead to inaccuracies due to rekeying information into multiple systems. An ERP system can eliminate such problems.

By automating business processes, which in turn improves accuracy of information and accelerates data flow, an ERP solution can help your company streamline day-to-day tasks and enable staff to use their energy to solve complex challenges that require greater attention. As a result, you can improve productivity and dramatically reduce operating and overhead costs.

### What should your ERP solution include to offer these benefits? Look for:

- **A fully integrated set of applications**, which integrates capabilities from front-end customer-relationship management to back-end financial analytics and business intelligence, can enable companies to focus on decision making and doing business rather than on the IT infrastructure required to keep disparate applications running and communicating. Is your ERP solution fully integrated?
- **A common repository** for all of the data required by all of your applications and processes gives your employees access to the information they need, when they need it, to do their jobs more efficiently. Does your ERP offer a common repository?
- **Configurable workflows** provide an easy way to change or define information flows and procedures quickly and without additional development to support current and future business processes. Does your ERP solution provide business users with a simple method to change workflows?
- **Multisite support**, which enables you to better manage across locations and geographies. Can your ERP solution handle different division names and operations?

*Not only do manual compliance processes contribute to high costs, they lead to inaccuracies and time delays.*

## 2. How complex are your regulatory reporting requirements? How much manual work is required today?

The regulatory environment remains complex for most businesses today, across the spectrum from financial to industry-specific requirements. Examples of these regulations include Sarbanes-Oxley for all public companies; the OSHA Hazard Communication Standard, SARA Title III, ANSI, and the European Union REACH legislation for chemical companies; 21 CFR Part II for medical device manufacturers; and the Bioterrorism Act and HACCP for food and beverage producers.

Many companies find managing government regulations burdensome and costly. Not only do manual compliance processes contribute to high costs, they lead to inaccuracies and time delays.

### Does your existing technology provide what you need to reduce regulatory compliance risks? Consider the following issues and questions.

- **Lot traceability** enables manufacturers of food and beverages, pharmaceuticals, medical devices, and other products subject to Food and Drug Administration (FDA) recalls become “emergency ready” to meet FDA mandates and avoid sanctions. To meet FDA demands does your system:

- » Fully integrate all material planning processes and centrally capture traceability data?
- » Support both forward traceability from ingredients to customer shipments and backward traceability from customer shipments to manufactured lots, and finally, to ingredients or components received from suppliers?
- » Track lot properties, grades, and testing results?
- » Include user-defined technical sheets and operational detail instructions?
- » Offer lot and sub-lot control?
- **Audit trails** are essential to address compliance requirements that require you to track how data is obtained, used, managed, and secured. Does your system:
  - » Authenticate user name, data, time, previous data, new data, and the reasons for the change?
  - » Maintain an archive of historical transactions for multiyear periods?
- **Digital electronic signatures** do more than enable companies to improve security and control over their internal automated workflow; they are necessary to pass corporate governance audits and to comply with various industry regulations. Does your system:
  - » Provide an electronic signature framework that includes tables, programs, actions, and objects to store, configure, and collect unique e-signatures?
  - » Permanently link those e-signatures to the object so they cannot be modified or copied?
- **Quality control**, when fully integrated, can help your company automate and streamline your paper processes to increase efficiency and regulatory compliance. Does your system:
  - » Offer rules that enforce inspections at key event points to ensure items conform to any required product characteristics, operational tolerances, or expected results?
  - » Automatically quarantine items that fail any inspection rules, as well as suspicious items, and designate them for disposal or further inspection?
- **Document signatures** that are scanned, digital, or flattened digitally can substitute for handwritten signatures on documents such as certificates of analysis or technical sheets. Does your system:
  - » Generate documents with an image linked to the specific document?
  - » Control the image plate while linking it to the user profile?
- **Security features** that safeguard against unauthorized use of your system and protect against industrial espionage, embezzlement, and other crimes. Does your system:

*Implementing ERP software that integrates all your information and processes into one coherent environment is a first—and major—step toward improved decision making.*

- » Automatically logoff users after a period of inactivity or too many failed logon attempts?
- » Log all user activity?

In addition to the capabilities described above, which apply to most regulations, specific regulations have many of their own requirements:

- **Workflow controls and transparency**

**Sarbanes-Oxley** requirements can be addressed by using a modern ERP system to automate business processes in order to implement the requisite controls. Ask yourself whether your current system allows for the following capabilities.

- » Do workflows support and document control point notification for managing exception-based transactions?
- » Can graphs and dashboards show real-time surveillance information related to financial and operational performance?
- » Does your system offer audit traceability from financial statement to legal source document and business intelligence capabilities
- » Are all the modules in your system fully integrated using one common database so all system users access, enter information into, and report on the same data?
- » Does it use process flows to ensure a logical, controlled sequencing of activities for each procedure and eliminate finance-related problems?

- **Validation**

**21 CFR Part II** compliance requires validating your processes to associated software functionality.

- » Does your solution vendor offer customizable validation scripts that describe various process controls deployed by the application?

### **3. Do you need to enhance your business intelligence?**

Lack of transparency and visibility into key business indicators can cause poor decisions that result in substantial financial losses or missed opportunities. When data is difficult to pull out of your system, or stored in separate spreadsheets and other siloed systems, you could be missing strategic opportunities.

Implementing ERP software that integrates all your information and processes into one coherent environment is a first—and major—step toward improved decision making. In addition, business intelligence (BI) is necessary to enable users analyze and act on data quickly and effectively.

## Does your ERP solution offer these critical BI capabilities?

- **Integrated BI** avoids the problems of standalone BI systems that require an interface to the operational management system with data moved back and forth between the two systems. Such maneuvering diminishes timeliness and accuracy, adding complexity to your implementation and user training.
  - » Are your BI tools integrated with your ERP system rather than standalone?
- **Integrated CRM** with your ERP system can help you synchronize your sales, marketing, and customer care activities across your organization.
  - » Does the integrated CRM system offer integrated applications including sales, marketing, customer service, and mobile solutions to help sales and service teams manage current customers, find new customers, close sales faster, and build lasting, more profitable relationships across channels?

## Enhanced visibility of BI can help you stay on top of changing business conditions.

- » Does your system automatically alert you to unusual events or activities so you can respond quickly as any needs arise?
  - » Can end users define and change their own unique performance metrics as well as triggering events, rules, and conditions for capturing and updating statistical information—without help from a programmer?
  - » Is the information in the system updated in real time?
  - » Does your BI system include integrated dashboards and key performance indicators (KPIs) built on the system's database to provide customizable, actionable, up-to-the-minute graphical representations of key statistical information?
  - » Can you easily consolidate high-impact business information originating from different sources into a single, easy-to-view screen or portal?
  - » Can you drill down from the portal to more detailed information if you need more data?
- **Ease of use** should not be ignored. Does your ERP system offer powerful analysis tools that are also simple to use and fully customizable by any user?
  - **Reporting** is more than the past. Do you have access to predefined reports? Do the reports allow you to manipulate your data? Can you store forecasts and compare them with actual performance data?
  - **Security** is everything. Does your ERP system include security controls to restrict access to reports and aggregated and/or individual data?

*In the near future, many companies are expected to make mobility a significant part of how they operate, giving employees the freedom and flexibility to work offsite. That extends to ERP.*

#### 4. Can you (and your employees) get the data you need, even if you're out of the office?

In the near future, many companies are expected to make mobility a significant part of how they operate, giving employees the freedom and flexibility to work offsite. That extends to ERP.

Can your existing system be securely accessed over tablets and other devices? Look for the following capabilities:

- **Projections** that enable you and your company's employees to access a business intelligence dashboard over devices such as smartphones and tablets when not at a desktop computer.
- **Ordering systems** that transmit and process purchases and requisitions from the field, so your salespeople will not have to wait for orders to be logged at the end of each day
- **Inventory systems** that enable workers to update inventories on the shop floor or warehouse, eliminating the need for double-entry systems and their inherent data-entry errors
- **Data security** through encryption, tight user profiles, and passwords, as well as closely monitored asset tracking to mitigate potential risks
- **A user interface** designed for mobile devices that delivers an efficient experience, versus attempting to run a conventional website on a smartphone or other small-screen device

#### 5. Do you need to collaborate with partners?

The ability to team with multiple geographic partners and to rely on contract manufacturing and third-party logistics providers can help your company cost effectively meet customer expectations by outsourcing operations that cannot be done as efficiently in-house.

However, working with such partners requires both an extra measure of security as well as streamlined communications.

Do your existing processes and IT systems support easy collaboration with partners? Look for the following:

- **Enhanced mobility**, as noted above, enables management functionality to be accessed easily over the Internet on both PCs and mobile devices so users can access and execute any services as well as create new collaborative applications with partners. Is your ERP solution a Web-native system built on a service-oriented architecture (SOA) platform that can be securely accessed by any device?
- **Automated workflows** solve many challenges that arise from manual tasks such as notification, investigation, authorization, and follow up, as well as control the flow of information within and outside your business based on company-specific work

practices and procedures for handling important and exceptional events. Does your ERP software provide control and visibility through the use of automated workflow functions?

- **Web 2.0 capabilities** such as portals, RSS feeds, wikis, blogs, and mashups can simplify collaboration among trading partners. Does your current ERP system handle these features?
- **Secure systems** enable trading partners to work together with confidence. Does your ERP system:
  - » Enable trading partners to protect strategic assets?
  - » Administer user passwords with various restrictions, such as limiting the number of days a password is valid?
  - » Manage security at the system level to restrict access to functions, actions, on-screen fields, and data, by user, groups of users, or profile?
  - » Trace all transactions at the user level, and do modifications of sensitive data trigger alerts and additional requests for approval before being processed?

## 6. Are you planning to grow your business globally?

Are you operating your business outside the United States, or planning to seek new opportunities to sell to customers in a global market? Or, do you need to manage the purchase of goods or services from vendors located in other countries?

### Are your existing systems designed with global business growth in mind? Look for the following attributes:

- **Global currencies** so you can take the currency of your customers and suppliers into account at each stage of the order processing cycle and avoid taking a financial loss due to fluctuating exchange rates. Check to see whether your current system can do the following:
  - » Convert budgets and other items into other currencies such as pounds, yen, and the euro
  - » Store and quickly update price lists in the customer's currency
  - » Generate consolidated reporting in any currency you choose
- **Multiple languages** to enable your employees work in the language of their choice
- **Global regulatory requirements** to accommodate local compliance provisions in any of the countries you conduct business

*"An ERP system that may have been a good fit 10-12 years ago is typically not well aligned from a business perspective later in the organization's life."*

—Eric Kimberling,  
Panorama Consulting

## Conclusion

According to ERP expert Eric Kimberling of Panorama Consulting, "...an ERP system that may have been a good fit 10-12 years ago is typically not well aligned from a business perspective later in the organization's life." That's why it is imperative that you look at your technology and make sure it delivers the benefits you and your business need.

While every organization is different, it's important to take the time to conduct a gap analysis as your business grows and changes. By completing this gap analysis, you can determine whether your existing processes and IT systems meet your current business requirements or whether you would be better served by asking a consultant to perform a more in-depth evaluation.

If you'd like more information about how Sage helps organizations with ERP issues like these, see <http://blog.sageerpsolutions.com>.

### Sources

Del Ciancio, Mary (2010). "ERP: How It Can Help Your Business." Manufacturing Automation, Retrieved June 2012 from <http://www.automationmag.com/erp-software/features/erp-how-it-can-help-your-business.html>

Kimberling, Eric (2011). "Top Signs That You've Outgrown Your ERP System." Panorama Consulting Solutions Blog, Retrieved June 2012 from <http://panorama-consulting.com/top-signs-that-you've-outgrown-your-erp-system/>

©2012 Sage Software, Inc. All rights reserved. Sage, the Sage logos, and the Sage product and service names mentioned herein are registered trademarks or trademarks of Sage Software, Inc., or its affiliated entities. All other trademarks are the property of their respective owners. 07/12