ERP INTEGRATION FOR SMB COMPANIES PREPARING FOR THE FUTURE

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Enterprise software capabilities have grown tremendously, and with IoT and Industry 4.0 promising even more innovation, companies must prepare themselves to continuously stay abreast of technology. Innovation isn't just coming; *it's here.* And the decisions on what to do and how to prepare are *now!*

Integration to Get the Most Out of Your Technology

The current pace of business is always increasing, putting pressure on every process and system companies use. For ERP providers, the same holds true. How do companies prepare for the future, and how do they get the most out of what they have?

As Aberdeen has reported in previous research and spoken about in several webinars, the winning strategy is to stay current on the latest release (in preparation), and if a replacement solution is required, to plan for the future when selecting the provider and the platform. Enhancements and new functionality are being added constantly and falling behind can be catastrophic. The promise of Industry 4.0 is the certainty of data, as well as the timeliness and speed of data. As machine learning, AI, and IoT take hold, the interfaces will be tied to the latest releases, and to leverage the new functionality, staying current with your provider is critical.
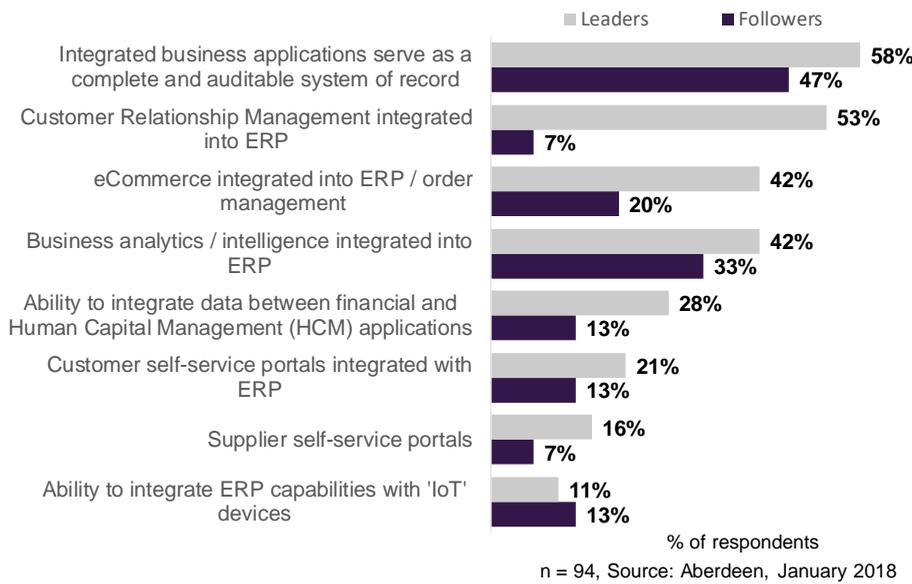
Leader vs. Follower Definition
Based on Performance Metrics

► Leaders— Top 35%

► Followers — Bottom 65%

Maturity Class Performance

► Customer service level

  o Leaders — 96%

  o Followers — 88%

► Year-over-year productivity gain

  o Leaders — 13%

  o Followers — 1%

► Internal schedule compliance

  o Leaders — 95%

  o Followers — 88%

► Year-over-year profitability gain

  o Leaders – 7.4%

  o Followers – (2.1%)

Figure 1: SMB ERP Integration for Leaders vs. Followers

Legend: ■ Leaders ■ Followers

Category	Leaders	Followers
Integrated business applications serve as a complete and auditable system of record	58%	47%
Customer Relationship Management integrated into ERP	53%	7%
eCommerce integrated into ERP / order management	42%	20%
Business analytics / intelligence integrated into ERP	42%	33%
Ability to integrate data between financial and Human Capital Management (HCM) applications	28%	13%
Customer self-service portals integrated with ERP	21%	13%
Supplier self-service portals	16%	7%
Ability to integrate ERP capabilities with 'IoT' devices	11%	13%

% of respondents
n = 94, Source: Aberdeen, January 2018

The second part of the equation is how to leverage all the solution components and improve the speed *now*. The time-to-decision and real-time visibility required today have put tremendous stress on all on all systems and processes. The concept of one big solution with all the answers under one roof for all system and solution requirements is unrealistic. Even within ERP solutions, integration with extensions and different instances are required. To better understand the integration landscape for SMB Leaders vs. Followers (see sidebar on previous page), Figure 1 (above) identifies the major integration points reported by end users across multiple components.

The first point establishes the level of adoption of integrated business systems as a system of record. Even the Leaders are only at 58%, with the Followers reporting even less at 47%. The next two bullets are a bit surprising, in that they show integration with a CRM solution is nearly nonexistent for the Followers, with the Leaders reporting 53%. For companies that have an established system of record, CRM is certainly a common solution to be implemented, because it is customer-facing; so, the Followers' adoption level is quite low. In addition, integration with eCommerce is also quite low for the Followers, whereas the Leaders are 2x as likely to have eCommerce integration in place. Considering that most businesses have some web presence, if not some commerce, it would be a very delayed and error-prone process to not integrate ERP with the eCommerce solution. Loss of visibility to timing and priority is critical at this point (when orders are received) and potential delays could be fatal for meeting shipment expectations.

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Analytics integration reported at 42%, and HCM and financial solution integration reported at 28%, are also not as robust as users might expect. And, the Followers are far less-integrated — under 20%. Integration with self–service portals for suppliers and customers is also low.

For SMB companies, with perhaps more constrained resources, it's important to choose priorities carefully. The Leaders are ahead with a much greater level of integration across their organizations. The impact of the integration level on business capabilities is the most revealing view of how effective the integration strategy and adoption are for an organization.

Value of Integration for the Technology Future

Figure 2 shows the value and benefits of the integration that exists for the Leaders vs. the Followers. The first bullet highlights one of the most important features — "real-time" collaboration across departments and divisions. The "real-time" is the operative phrase. When businesses are tasked with next-day, and now even same-day shipment requirements, real-time is now a "must-have," not a "nice-to-have" capability.

Figure 2: Capabilities and Integration Benefits

% of respondents
n = 94, Source: Aberdeen, January 2018

Tying operations to customer service, logistics, and fulfillment is a logical place to have strong integration, because it involves servicing the customer. A valuable underlying principle that most companies have adopted is the establishment of standardized procedures across the organization. This greatly simplifies integration strategies so that each interface is not a "one-off" solution.

When businesses are tasked with next-day, and now even same-day shipment requirements, real-time is now a "must-have," not a "nice-to-have" capability.

The realization is that the time-to-information and need for real-time visibility internally, between, and across all sites and divisions requires a well-planned integration strategy to tie the pieces together effectively.

Having the ability to share and integrate with the extended enterprise, resulting in a single solution with all of the required components, is not too practical. The Leaders indicate that 49% have the ability to share data externally with suppliers and partners, while the followers reported 0%. Think real-time when considering the need to send and receive information from partners or suppliers, as related to customer commitments and updates. Having full visibility to all quality data and real-time visibility into all processes are certainly steps in the right direction, but even the Leaders can improve in these areas.

The ability to react quickly to any business changes (such as mergers, acquisitions, sales of assets, etc.) requires a nimble and well-thought-out strategy for integration, which should be part of the technology plan (so there is no surprise), in order to be done within the scope of the integration strategy.

Leaders clearly have some benefits, due to their capabilities, compared to the Followers, but the reality is that all companies, particularly SMBs, don't wake up every day looking for something to integrate. They integrate to solve a problem, or to speed up a process. The reality is, "integrate" is code for "We need to go faster." Otherwise, why do it?

The realization is that the time-to-information and need for real-time visibility internally, between, and across all sites and divisions, requires a well-planned integration strategy to tie the pieces together effectively. Externally, the same is true when dealing with suppliers, logistics providers, and fulfillment partners, where control over the entire solution set is not feasible. Having a plan to use networks with standard interface and reserving direct point-to-point connections for the treasured few customers, or suppliers, should be part of the thought process.

Summary and Key Takeaways

All companies that are planning for the future must start now to develop an integration strategy that accelerates time-to-information and decision processes that need to happen in real time. Visibility across an organization, and the end-to-end view of its supply chain, require a strategy to ensure the necessary solutions are integrated to serve the need; and that the supporting processes are in place to support it.

The technology capabilities and functionality may be at a new threshold, with the advent of IoT and Industry 4.0 on the horizon, along with the excitement

surrounding machine learning and AI. Staying current with technology is the position to have, to avoid being left behind, as the speed and demand for instantaneous information increases. Aberdeen recommends that SMBs should follow the direction established by the Leaders to improve their operation *now*, and prepare for the future by recognizing where the integration needs will come from, and establish a strategy for the future, so they are not caught by surprise.

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