



# The 5 Keys to Preventing ERP Implementation Failure for Your SMB

# INTRODUCTION

An enterprise resource planning (ERP) system is like the central nervous system of your SMB (small to medium-sized business): a healthy one integrates multiple streams of input from channels such as finance and accounting, inventory, supply chain, sales and human resources to provide a cohesive picture enabling management to reduce operational costs and produce incremental, measurable growth. Despite the importance of an effective ERP system, ERP implementations have a history of underperforming and losing businesses money. The findings from the Panorama “2016 Report on ERP Systems and Enterprise Software”<sup>1</sup> are telling:

- **57% of implementations go over budget.**
- **46% of companies failed to realize at least half of the business benefit expected from their new ERP system.**
- **10% of implementations fail to deliver any measurable business benefit.**

Given that an ERP implementation can take years and that total cost of ownership (TCO) can end up in the multi-million dollar range, many SMBs cannot survive a failed ERP system. It follows that strategically selecting the right ERP system is a career-defining choice for the decision maker.

The good news is that the vast majority of ERP system failures are avoidable. The purpose of “The 5 Keys to Preventing ERP Implementation Failure for Your SMB” is to provide you with factual knowledge to choose an ERP system and an implementation partner that enables you to gain the operational insights necessary to reduce costs and effectively grow your business.

[1]

# KEY 1

## BE REALISTIC ABOUT YOUR NEW ERP SYSTEM

While many new businesses can function adequately based on the financial analytics provided by their accounting software, most businesses will eventually need to implement a fully fledged ERP system if they are to achieve sustained growth over the long term. A well-implemented ERP system holds the keys to uncovering the picture behind the financials and providing operational insight. Until you integrate

“You got into business to innovate for your customers, not spend endless cycles digging for details buried in disconnected applications. If strategic thinking and growth planning are taking a back seat to an ever-growing to-do list, it's time for your technology to step up.”

- Jennifer Dorsey, Director ERP Volume Marketing

operational and financial data, you will not be able to gather the business intelligence that enables you to make decisions that drive growth. Basic accounting functions and financial information alone are not enough to provide a complete picture of your organization.

If chosen and implemented correctly, your ERP system will integrate previously disparate silos of data, enabling information to be entered, retrieved, and viewed from a single source. The integration of financial, inventory, sales, and human resource data will provide real-time business intelligence and analytics, resulting in integrated performance tracking that can be leveraged for data-driven insights and decision making.



## By The Numbers

The Aberdeen Study “ERP: Is High ROI with Low TCO Possible?”<sup>3</sup> found that best-in-class ERP implementations significantly reduced costs for SMBs:

- **Reduction in inventory: 16%**
- **Reduction in operational costs: 19%**
- **Reduction in administrative costs: 17%**
- **Improvements in complete and on-time shipments: 17%**

The study concluded that “companies of all sizes should expect a substantial, measurable payback. 21% of our best-in-class achieved 100% payback on their investments within one year and the majority (60%) achieved it in three years.”<sup>3</sup>

This study illustrates an important point: ERP is not about eliminating all operational costs and doubling revenue overnight. Rather, an effective ERP will reduce costs and provide the opportunity for measurable, significant growth. By reducing costs, resources can be reallocated to areas such as sales and marketing, allowing you to drive incremental business growth.

# KEY 2

## UNDERSTANDING THAT YOUR ERP TCO IS MORE THAN JUST LICENSING FEES

Choosing an ERP system is one of the most important decisions management will ever make. Consider the following: an ERP solution will typically have a life cycle of at least 10 years and can take 1 to 2 years to fully implement. An ERP system tailored to a SMB will cost at least \$50,000 to implement and, over the years, TCO can range from \$100,000 to \$3,000,000, depending on company size.<sup>4</sup>

The cost of implementing new ERP software is only part of the financial impact. Migrating to a new ERP system represents a cultural shift for your organization. Your new ERP system will involve extensively training existing team members and changing the way they work; in some cases, it may involve shifting their role within your organization. A new ERP system may lead to new roles being created within your company, while other roles may be rendered redundant. Given the protracted time to implement, it can take years – not to mention thousands of dollars – to determine whether or not your ERP system was the right choice.



# Case Study: Levi Strauss Net Income Plummets Due to Poor ERP Implementation<sup>5</sup>

In 2008, Levi Strauss began a worldwide ERP implementation with ERP vendor SAP, spanning 5,000 users across Europe, North America, and Asia. The new ERP system was intended to integrate and standardize global offices to provide a seamless overview of operations. However, the ERP implementation backfired: Levi was forced to take shipping systems at its three US distribution centres offline for an entire week in April 2008 to fix problems they were having receiving and fulfilling orders. The result? A reported 50% drop in quarterly net income due not only to lost business during the shutdown but to customers who canceled orders once the systems came back up.

The reason for the problem? Poor integration of “legacy systems.” Levi failed to understand the impact of a new ERP system on their existing software and found themselves unprepared for the transition to a new system.

**Luckily for Levi, they were able to withstand the loss.  
Could you afford a 50% drop in net income next quarter?**





# KEY 3

## CHOOSING THE RIGHT VENDOR: WHY 90% OF SMB'S SHOULD CONSIDER A MICROSOFT DYNAMICS SOLUTION

Now that you have a complete understanding of the importance of strategically selecting the correct ERP solution for your business, it is time to select a vendor. However, anyone who has done even the most preliminary research into ERP vendors will realize that choosing the right ERP is like finding a needle in a haystack: There are over 100 different ERP vendors, most of which offer multiple, unique ERP systems.<sup>6</sup>

Fully evaluating the benefits and risks of every ERP system is a task far too resource intensive for even the most robust SMB. Fortunately, there is one vendor who is right choice for nearly all SMBs: Microsoft. Dynamics – the line of ERP solutions offered by Microsoft – should be one of the top considerations for SMBs for a number of reasons:

- **If you are one of the more than 90% of businesses that are using the Microsoft Productivity Suite<sup>7</sup>, then implementing a Microsoft Dynamics solution will ensure optimal performance and proper system integration. By using Microsoft Dynamics, systems such as Office 365, Outlook, Exchange, and Dynamics CRM will not only integrate and work better together, they will perform more effectively than they would if used in tandem with a different ERP vendor. This is because Microsoft knows how widely used their products are and have leveraged their advantage by designing their software systems to work together. For organizations that are already using the Microsoft Productivity Suite, a Microsoft ERP will increase performance while dramatically reducing the organizational changes that come with a new ERP implementation, facilitating the growth you want without the disruption you don't.**
- **The Microsoft ecosystem includes thousands of independent service vendors (ISVs). ISVs build add-on solutions based on Microsoft products. These solutions range from custom workflow engines to payroll automation and credit card extensions. No other ERP vendor has anything like the third-party support provided by Microsoft ISVs. They even have their own search engine: <https://partnercenter.microsoft.com/en-us/pcv/search>**
- **Given the lengthy life cycle of ERP software, it is critical that your vendor will continue to update, develop, and evolve your ERP solution for years to come. With 200,000 ERP customers worldwide,<sup>9</sup> Microsoft has more ERP customers than any other vendor in the world.<sup>10</sup> Their significant stake in ERP, combined with their track record of longevity in the technology space, means that Microsoft is one of the rare companies that can be relied upon for decades into the future.**

# Case Study: RREAL Chooses Dynamics GP for an ERP Win<sup>11</sup>

RReal began installing solar panels for low-income families in the early 2000s with the goal of reducing fuel poverty. Late in 2007, they began to manufacture and distribute the solar panels they install to better serve more people in a cost-effective manner. They quickly realized that they would require an ERP system to increase their operational efficiency if they wanted to meet demand and scale effectively.

Having selected a Microsoft Dynamics GP solution, they were able to integrate inventory, manufacturing, accounting, and purchasing systems, enabling previously unattainable operational visibility. Integration with Dynamics CRM provided sales teams with access to invoice and sales orders, eliminating bottlenecks and saving time. Office 365 integration enabled document sharing for increased collaboration between remote workers.

With Dynamics GP, RReal has been able to fully integrate manufacturing, inventory, purchasing and accounting. It has also allowed them to reduce installation from 3 days to just 1 day. For the full story on how RReal benefited from a fully integrated Microsoft Dynamics solution, check out the video below.



## EXPERT WEIGH-IN

"85% of all accounting software installations require a third party product to have everything solved."<sup>8</sup>

- Randy Johnson, EVP K2 Enterprises



# KEY 4

## FINDING THE OPTIMAL MICROSOFT DYNAMICS SOLUTION FOR YOUR SMB

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There are four ERP systems included under the Dynamics umbrella: SL, AX, NAV, and GP. While they share certain features in common – a role-based environment, an interface that is familiar for Office 365 users, customizable and configurable dashboard views – each solution offers unique benefits for particular industries, verticals, and business sizes.

### *Dynamics AX*

We'll start by ruling out Dynamics AX, the least ideal choice for most SMBs. AX is Microsoft's enterprise-class ERP solution. It is particularly well suited for supply chain management in multi-site enterprises and can combine data from around the globe to provide instant access to business insights and analytics. AX is highly customizable, supporting sophisticated changes and extended functionality.

While all of this undoubtedly sounds good, it comes with a steep cost, both in licensing and in training and maintenance costs. Dynamics AX costs at least twice as much to implement as NAV or GP. It also typically requires a full in-house team to manage. Both of these facts make AX both unnecessary and too resource-intensive for a SMB.

### *Dynamics SL*

SL is Microsoft's solution for project-based businesses. The main capabilities of SL include the automation and integration of processes such as billing and payroll, customer relationship, and supply chain; creating a bridge between documents, spreadsheets, and accounting transactions; and the tracking and analyzing of project activity.

While great for professional services and businesses that are centred around project- and contract-based work, SL lacks many of the more sophisticated financial management tools, integration and analytics, and customization capabilities of the other Dynamics products that enable operational insight and increased growth.

### *Dynamics NAV*

Dynamics NAV is tailored for SMBs who require a high level of customization to meet business growth goals. NAV is perfect for businesses such as distributors and manufacturers who need a custom solution developed specifically for their vertical. One of the most valuable features of NAV is that IT staff are able to customize their ERP implementation with minimal business disruption.

Although all businesses are unique, most have operational processes that are nearly identical to one another. For this reason, NAV is more labour intensive than necessary for the ERP requirements of most businesses, which often results in higher costs. Dynamics NAV was developed in Europe and the majority of the install base is there; hence it is a less sought after solution for North American SMB's.

### *Dynamics GP*

The best ERP solution for the vast majority of fast-growing North American SMBs, Dynamics GP provides out-of-the box functionality that is easy to configure. GP integrates accounting and payroll, inventory management, human resources, and operations for business intelligence and reporting that enables real-time visibility and analytics for making decisions based on complete business insight. GP is also the only Dynamics solution that includes Canadian Payroll functionality without adding 3rd party software, facilitating quick integration and low cost.

Dynamics GP boasts the largest number of ISVs. This means that there are more 3rd party add-on solutions created for GP than there are for any other ERP system. It also means that there are more vendors that you can partner with to create custom solutions based on your needs. The wealth of 3rd party support for Dynamics GP enables businesses to scale seamlessly; you add what you need, when you need it, reducing overhead and keeping costs in-line with your growth.

# KEY 5

## YOUR NEW ERP SYSTEM IS ONLY AS GOOD AS YOUR SERVICE PROVIDER

By now you will have realized the importance of choosing the right ERP system. This decision comes with one that is just as important: finding the right service provider to partner with. The service provider you choose will act as an outsourced member of your business and will play an integral role in the implementation, updating, and maintenance of your ERP solution. Given the importance of your ERP system for your business growth and the lengthy ERP lifecycle, partnering with the right service provider is as important to business as marrying the right person is to life. Here are 5 things to look for when choosing a partner for your ERP implementation:

1. You want a partner that will do more than just setup your ERP for you (although this is clearly important). Your service provider will need to have the experience and expertise within your business domain necessary to diagnose and analyze your business processes to determine what stays, what gets modified to fit with your new ERP system, and what needs to be eliminated for the sake of efficiency and maximum growth potential.
2. Your partner also needs to be willing and able to train your staff on how best to use your new ERP. Remember that newly hired staff may require training, and significant ERP system updates often require staff retraining. A competent partner will be able to keep up with shifts in both your business and the ERP landscape to ensure you meet your growth goals.
3. Finding a partner with the ability to create custom applications for your ERP will enable you to customize and add features to your system as you grow. You want a partner that knows your ERP so well, they are writing code for it. When implementing Microsoft Dynamics GP, you need a partner that can create customizations for the 10% of your business processes that may require unique solutions.
4. Certification will vary depending on your ERP system, but it should be an important qualification when selecting a partner. If choosing Microsoft Dynamics, make sure that anyone you work with is a certified Value Added Reseller (VAR) and as well a certified ISV, as this combination ensures depth of product knowledge.
5. Finally, when choosing a partner, get to know the implementation team before making a decision. While your initial conversations will likely be with Sales, it is the implementation team that you will be spending the bulk of your time with for the years to come. You will want to make sure that they understand your business's culture and that they are a good professional fit.

# CONCLUSION

Choosing the right ERP system and implementation partner for your SMB is not a simple task, and it is made more complicated by the fact that most professionals will have had little experience with ERP before having to select a system. By choosing a Microsoft Dynamics solution, you will mitigate much of the risk associated with integrating your new ERP system with your existing staff productivity tools while reaping the benefits of thousands of independent partners who are experts in creating solutions for your ERP system. Problems can be further avoided by choosing a partner that is certified in your ERP system, understands your industry and business needs, and is experienced in creating custom solutions for your ERP system.

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## ABOUT JOESOFTWARE



The team at Joesoftware is a talented, passionate and diverse group of business professionals who understand what it takes to improve business processes. Whether starting from scratch or integrating Dynamics GP with other systems, Joesoftware has the people with the right skills to deliver the solution to meet your business needs. Located across Canada, our consultants are trained and Microsoft certified in a range of competencies and possess the skillset necessary for any Dynamics GP project. With 100's of years of combined experience, our experts have a solid track record of delivering insights and results in virtually every industry.

**[Visit us here](#)** for more information about how Joesoftware and Microsoft Dynamics GP can help grow your business to the next level.

# FOOTNOTES

<sup>1</sup> *2016 Report on ERP Systems and Enterprise Software*

<http://panorama-consulting.com/resource-center/2016-erp-report/>

<sup>2</sup> *Top 10 Reasons to Replace your Accounting Software*

<https://community.dynamics.com/b/msftdynamicsblog/archive/2016/06/02/top-10-reasons-to-replace-your-accounting-software>

<sup>3</sup> *ERP: Is High ROI with Low TCO Possible?*

<http://prontopreview.com/download/dynamics/aberdeen/ERPisHighROIwithLowTCOPossible.pdf>

<sup>4</sup> *ERP: Is High ROI with Low TCO Possible?*

<http://prontopreview.com/download/dynamics/aberdeen/ERPisHighROIwithLowTCOPossible.pdf>

<sup>5</sup> *Levi Suffers Profit Meltdown in Midst of SAP Embrace*

[http://www.theregister.co.uk/2008/07/10/levis\\_erp\\_costs/](http://www.theregister.co.uk/2008/07/10/levis_erp_costs/)

<sup>6</sup> *Top 100 ERP Software Vendors*

<https://www.appsruntheworld.com/top-100-erp-vendors-in-2012/>

<sup>7</sup> *Microsoft Still Tops for Productivity, Forrester Finds*

[http://www.sci-tech-today.com/news/Microsoft-Office-Still-Tops-the-Charts/story.xhtml?story\\_id=11300CMAFY18](http://www.sci-tech-today.com/news/Microsoft-Office-Still-Tops-the-Charts/story.xhtml?story_id=11300CMAFY18)

<sup>8</sup> *How to Compare the Real Cost of Accounting Software*

<http://www.erpsoftwareblog.com/wp-content/uploads/White-Paper-How-to-Compare-the-Real-Cost-of-Accounting-Software-ERPSoftwareBlog.pdf>

<sup>9</sup> *How Many Companies Use Microsoft Dynamics ERP? Updated 2015*

<http://www.erpsoftwareblog.com/2015/03/how-many-companies-use-microsoft-dynamics-erp/>

<sup>10</sup> *Top 5 Client/Server ERP Software Applications*

<http://www.erpsoftware360.com/erp-software.htm>

<sup>11</sup> *RREAL helps more families by using Microsoft Dynamics Solution*

<https://customers.microsoft.com/en-US/story/rreal-helps-more-families-by-using-microsoft-dynamics>