Do You Need a State-of-the-Art ERP Solution?

Complete This Gap Analysis to Find Out

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Executive Summary

As your company grows and faces new challenges, you must continually evaluate whether your work processes and IT solutions can address these issues and help grow your business. By periodically performing a gap analysis, you can look at where your business is headed and whether you have the right tools to get there.

Typical issues you may need to address include:

- Meeting regulatory requirements.
- Streamlining your operations to improve productivity and profitability.
- Improving your decision-making capabilities.
- Enhancing collaboration with business partners.
- Adapting and scaling your business.
- Growing your business globally.

This white paper will help you perform a preliminary gap analysis in each of these areas to help you determine whether you need to upgrade your IT solutions and business processes to meet your current business requirements as well as adapt to future requirements.

Introduction

Many companies rely on a combination of manual and automated workflows, departmental applications, and legacy databases to run their business. While this approach may initially serve its purpose, it can eventually grow cumbersome and lead to productivity gaps. In today's dynamic and highly competitive business environment, ineffective and inefficient systems can impede productivity, profitability, and growth.

With disparate systems hindering growth and profitability, companies can benefit from ERP software to help define best practices, optimize activities, and gain control over business processes. By automating business processes, which in turn improves accuracy of information and accelerates data flow, an ERP solution helps companies streamline day-to-day tasks and free staff to focus on complex issues that require more personalized attention. As a result, companies can improve productivity and dramatically reduce operating costs.

Additionally, many ERP solutions come with integrated customer resource management (CRM) and business intelligence (BI). CRM solutions streamline and integrate customer-facing processes and provide richer customer data to sales, marketing, and service personnel to produce significant reductions in the cost of acquiring customers, cost of sales, and cost to retain and serve customers. Integrated BI solutions ensure that every staff member has the right information to perform his or her job effectively by consolidating data from disparate sources and providing users with meaningful business performance indicators.

The Need for Gap Analysis

Because the ERP marketplace is highly dynamic and innovative, your company may be uncertain as to when you have outgrown your legacy systems or what benefits you can achieve by implementing a more advanced system. Management teams should periodically perform a gap analysis to determine whether it is time to upgrade to a more modern ERP system.

How to Perform Your Gap Analysis

A gap analysis is a technique for determining what steps your company must take to move from its current state of operations to a desired future state. The analysis begins with listing key characteristics of your company's current situation, listing factors necessary to achieve your objectives, and then highlighting the gaps that exist between the existing and desired states that must be filled.

While all companies have different priorities and business models, most also face common market forces and regulatory requirements. The following sections describe areas where companies often have business requirements that siloed or legacy ERP solutions are unable to address.

Completing this checklist will give you a first step to determine whether your existing processes and technology solutions meet your current requirements or whether you should consider bringing in a consulting organization to perform a more detailed evaluation to determine whether you can benefit from a state-of-the-art ERP solution.

1. Do you need to comply with government regulations?

Companies in many industries must comply with specific regulations. Just a few 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 that managing these government regulations is burdensome and costly. A recent survey by the National Association of Manufacturers found that in the U.S., the cost of complying with federal regulations is about $10,000 per employee or over $162 billion annually. Not only do manual compliance processes contribute to these high costs, they also lead to inaccuracies and time delays.

What to look for in an ERP system to fill the gaps

Your company can reduce costs, inaccuracies, and delays by using an ERP system to automate compliance processes. Because an ERP system centralizes data management, it can minimize reporting costs by providing a convenient and efficient way to gather and monitor relevant information and eliminate manual procedures across your business processes, whether accounting, manufacturing, services, distribution, or point of sale.

Does your existing technology integrate the capabilities necessary to improve your regulatory compliance? Complete the following checklist to find out.

- **Lot traceability**—Lot traceability enables manufacturers of food and beverages, pharmaceuticals, medical devices, and other products subject to FDA recalls to be "emergency ready" to meet FDA mandates and avoid sanctions. Do your systems provide the following capabilities for meeting FDA demands?
  - o Does your system fully integrate all material planning processes and centrally capture traceability data?
  - o Does it 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?
  - o Does your system track lot properties, grades, and testing results?

- o Does it include user-defined technical sheets and operational detail instructions?
- o Does it offer lot and sub-lot control?

- **Audit trails**—Audit trails are essential to address compliance requirements that require you to track how data is obtained, used, managed, and secured.
  - o Does your system authenticate user name, data, time, previous data, new data, and the reasons for the change?
  - o Does it maintain an archive of historical transactions for multiyear periods?

- **Digital electronic signatures**—Digital electronic signatures 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.
  - o Does your system provide an electronic signature framework that includes tables, programs, actions, and objects to store, configure, and collect unique e-signatures that are permanently linked to the object and cannot be modified or copied?

- **Quality control**—A fully integrated quality control process can help your company automate and streamline your paper processes to increase efficiency and regulatory compliance.
  - o Does your system offer rules that enforce inspections at key event points to ensure that items conform to any required product characteristics, operational tolerances, or expected results?
  - o Does it automatically quarantine items that fail any inspection rules, as well as suspicious items, and designate them for disposal or further inspection?

- **Document signatures**—Scanned, digital, or flattened digital signatures can substitute for handwritten signatures for documents such as certificates of analysis or technical sheets.
  - o Does your system generate documents with an image linked to the specific document and control the image plate while linking it to the user profile?

- **Security features**—Systems need security capabilities to safeguard against unauthorized use of the system and protect against outsider crime, such as industrial espionage, and insider crime, like embezzlement.
  - o Does your system offer automatic logoff after a period of inactivity, automatic logoff after too many failed logon attempts, and logging of all user activity?

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

- **Workflow controls and transparency**—When public companies attempt to comply with the Sarbanes-Oxley Act, an ERP system can help automate business processes to implement the requisite controls.
  - o Do workflows support control point notification for managing exception-based transactions, with these flows serving as required controls to help document the system's behavior?
  - o Do graphs and dashboards show real-time surveillance information related to financial and operational performance?
  - o Does the system offer audit traceability from financial statement to legal source document and business intelligence capabilities (described later in this paper)?
  - o 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?
  - o Does it use process flows to ensure a logical, controlled sequencing of activities for each procedure and control to eliminate finance-related problems?

- **Validation**—If your organization must address 21 CFR Part II, you will need to validate your processes to associated software functionality.
  - o Does your solution vendor offer customizable validation scripts that describe various process controls deployed by the application?

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

To survive in today's competitive environment, organizations must continuously improve their operations and streamline their business processes to increase productivity and reduce costs. Manual processes can be time consuming and siloed systems lead to inaccuracies due to the need to rekey information into multiple systems.

What to look for in an ERP system to fill the gaps

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 free up staff to focus on more complex issues that require more personalized attention. As a result, you can improve productivity and dramatically reduce operating and overhead costs. What should your ERP include to offer these benefits?

- **A fully integrated set of applications**—A system that 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 focusing on the IT infrastructure required to keep disparate applications running and communicating. Is your ERP solution fully integrated?
- **A common repository**—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?
- **Process orientation**—An ERP solution that is process oriented rather than oriented toward discrete tasks will enable you to evolve your processes naturally over time. Is your ERP process oriented?

3. Do you need to enhance your decision-making capabilities?

In today's competitive marketplace, you need every available edge to ensure your company's success. That means having the right information to help guide your strategic decisions. When data is spread through separate spreadsheets and other siloed systems, it is difficult and time consuming to create reports that support key decisions.

What should an ERP system include to improve your business intelligence?

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 to analyze and act on that data quickly and effectively. Does your ERP offer these critical BI capabilities?

- **Integrated BI**—A standalone BI system requires an interface to the operational management system, and data must be 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**—Customer relationship management systems integrated with your ERP system can enable you to synchronize your sales, marketing, and customer care activities across your organization.
    - o 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**—BI systems can help you stay on top of dynamic business conditions.
    - o Does your system automatically alert you to any unusual events or activities so you can respond quickly as any needs arise?

  o 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?

  o Is the information in the system updated in real time?

  o Does your BI system include integrated dashboards and key performance indicators (KPIs) built on the system's database to provide users with customizable, actionable, up-to-the-minute graphical representations of key statistical information?

  o Can you easily consolidate high-impact business information originating from different sources into a single, easy-to-view screen or portal?

  o Can you drill down from the portal to more detailed information if you need additional explanations?

- **Easy to use**—Does your ERP system offer powerful analysis tools that are simple to use and fully customizable by any user?

- **Reporting**—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**—Does your ERP system include security controls to restrict access to reports and aggregated and/or individual data?

4. Do you need to collaborate with partners?

As market conditions fluctuate and competitive pressures increase, you may need to team with multiple geographic partners and to rely on contract manufacturing and third-party logistics providers. To successfully meet customer expectations, maintain loyalty, and remain profitable, you'll need swift and efficient communications with your partners.

Do your processes and IT solutions support collaboration with partners?

Do your existing IT systems support collaboration? Look for the following capabilities:

- **A web-native platform**—A service-oriented architecture (SOA) platform enables all management functionality to be accessed as interoperable services easily invoked by external applications. In addition, a web-native system will make this functionality available as web services so users can access and execute any services over a network such as the Internet as well as create new collaborative applications with partners. Is your ERP a web-native system built on a SOA platform?

- **Automated workflows**—In trying to effectively manage business processes, many challenges arise from manual tasks such as notification, investigation, authorization, and follow up. Automated workflow controls 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 provide control and visibility through the use of automated workflow functions?

- **Web 2.0 capabilities**—Does your ERP system offer features such as portals, RSS feeds, wikis, blogs, and mashups to simplify collaboration among trading partners?

- **Security**—Secure systems enable trusted data exchange among trading partners.

  o Does your system enable trading partners to protect strategic assets?

  o Does your system carefully manage user passwords with various restrictions, such as limiting the number of days a password is valid?

  o Does it allow a defined period of inactivity before an automatic disconnection?

  o Is security managed at the system level to restrict access to functions, actions, on-screen fields, and data, by user, groups of users, or profile?

  o Can all transactions be traced at the user level, and do modifications of sensitive data trigger alerts and additional requests for approval before being processed?

5. Do your processes and systems adapt and scale with your business?

You will want your technology solutions to not only flexibly support your business as it is today, but to accommodate your needs in the future.

Are your systems flexible and scalable?

Look for the following capabilities:

- **Configurable workflows**—Do your software applications allow you to support current and future business processes by providing an easy way to change or define new information flows and procedures quickly, without additional development?
- **Multisite support**—Can they accommodate your company's growth to a multisite organization by allowing you to operate a multisite operation as easily as running a single domestic implementation?
- **Customizability**—
    - o Can you easily customize your system through simple parameterization, without changing source code?
    - o Does it offer an integrated development environment (IDE) to facilitate the development of custom applications for your business?

6. Are you planning to grow your business globally?

Are you planning to operate your business outside the United States?

Will your systems support global business growth?

A system will support international operations if it offers the following capabilities:

- **Global currencies**—If you can't take your customer's currency into account at each stage of the order processing cycle, you could face financial loss due to fluctuating exchange rates.
    - o Does your current system deal with other currencies such as pounds, yen, and the euro?
    - o Does your system store and quickly update price lists in the customer's currency?
    - o Does it generate consolidated reporting in whatever currency you choose?
- **Multiple languages**—Does your system allow employees to work in the language of their choice?
- **Global regulatory requirements**—Does it accommodate local compliance requirements in the countries where you'll be conducting business?

Conclusion

Today's companies face dynamic business conditions, and the IT solutions that support them are constantly being improved and upgraded. While every business is different, this gap analysis check list can help you look at some of the key issues businesses face today, determine whether your existing processes and IT systems meet your current business requirements, or whether you should consider asking a consultant to come in and perform a more in-depth evaluation to determine whether upgrading your technology will help you better address your business objectives.

For more information on Sage ERP Solutions, please visit www.SageERPSolutions.com or call 866-530-7243.

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Sage
6561 Irvine Center Drive
Irvine, CA 92618
Telephone: 866-530-7243
www.SageERPSolutions.com