

SIMPLIFY DECISION-MAKING TO GROW YOUR BUSINESS WITH ANALYTICS AND ERP

March, 2015

→ **Nick Castellina**, Research Director,
Business Planning and Execution



Report Highlights

p3

Growing businesses are struggling with expectations.

p4

Leading growing organizations are 86% more likely to have paired ERP and Business Analytics together.

p5

Organizations with ERP and analytics are over three times as likely to have a fully integrated view of all customer information.

p8

Growing organizations with ERP and analytics saw a 17% improvement in profitability over the past two years.

This report, based on a survey of 105 growing organizations, uncovers how ERP integrated with Business Analytics can improve business execution and decision-making.

2

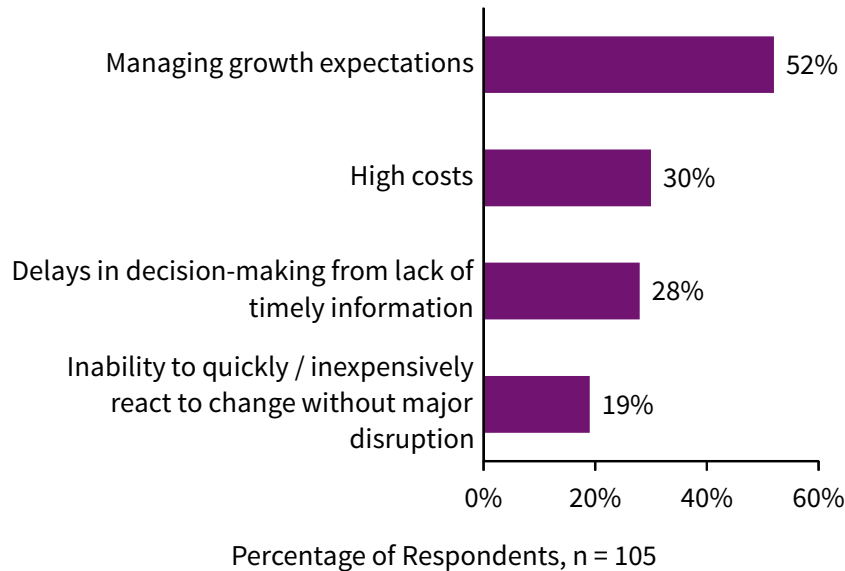
In their quest to differentiate themselves from the pack, growing organizations must search for any available edge. Applying Business Analytics to ERP can provide that edge and lead to further growth.

As businesses grow, they often struggle with managing expanding operations that have increased in complexity. In many cases, Enterprise Resource Planning (ERP) software provides a foundation for the organization to more effectively execute on its objectives. Still, expanding operations expose growing organizations to challenges beyond just ensuring that the business runs smoothly. In their quest to differentiate themselves from the pack, growing organizations must search for any available edge. The data contained within ERP can provide this edge, but many organizations just do not have the ability to utilize that data intelligently. Conversely, top performing organizations are more likely to apply Business Analytics to ERP data to more effectively use this valuable information. This leads to decisions that can improve customer service, demand planning, and, ultimately, profits. This report, based on a survey of 105 growing organizations, uncovers how ERP integrated with Business Analytics can improve business execution and decision-making.

The Trouble with Success

Aberdeen's [2014 Business Management and ERP Benchmark Survey](#) asked organizations with less than 1,000 employees to select their "top two" pressures in business management (Figure 1). "Managing growth expectations" is the leading challenge by an overwhelming margin. These organizations must be able to ensure that they can continue to operate effectively as their operations expand in complexity. The organization will experience an increased amount of locations, products, processes, regulations, customers, and competitors. These tasks very quickly become too difficult to manage using existing resources. These organizations are subject to a large amount of change, but may have no effective ability to manage that change.

3

Figure I: Too Much, Too Soon

Source: Aberdeen Group, November 2014

At the same time, growing organizations are faced with constraints that make it difficult to make decisions and investments that can support future initiatives. The second leading pressure for growing businesses is high costs. Therefore, every decision that these organizations make comes with increased scrutiny. Unfortunately, these organizations are often lacking timely information that can help to inform these decisions. Combined with the pressure of managing growth, these constraints suggest that growing organizations need a business solution that can both help them manage operations effectively, as well as make smarter decisions to support business growth.

A Combined Solution

ERP is looked upon by organizations of all sizes as a foundation of managing operations. It can provide one single source to bring all of the data necessary for running the business in one place.

In this report, Aberdeen groups respondents into two maturity classes:

- **Leaders:** Top 35% of respondents based on average performance in metrics listed below
- **Followers:** Bottom 65% of respondents based on average performance in metrics listed below

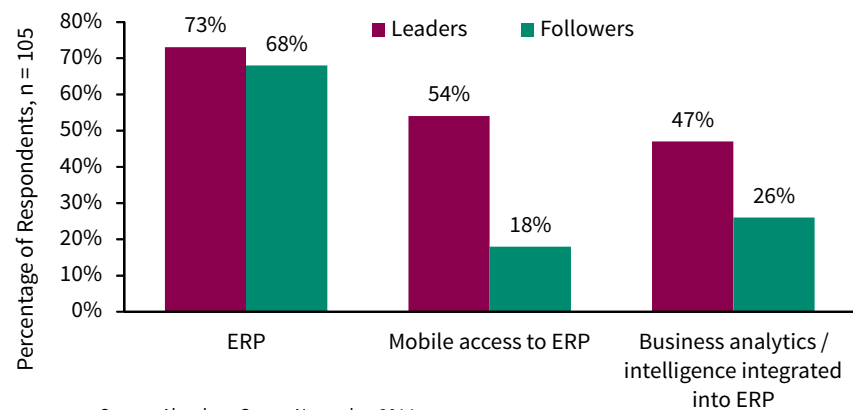
In Aberdeen's [2014 Business Management and ERP Benchmark Survey](#), growing organizations were ranked on the following criteria:

- **Complete and on-time delivery:**
 - Leaders - 96%
 - Followers - 87%
- **Improvement in profit margins over the past two years:**
 - Leaders - 20%
 - Followers - 6%
- **Improvement in time to decision over the past year:**
 - Leaders - 36%
 - Followers - 7%
- **Improvement in cycle time of key business processes over the past two years:**
 - Leaders - 23%
 - Followers - 5%

4

For organizations that are accustomed to using spreadsheets or accounting software to run, ERP solutions can improve the organization's sophistication and prepare it for competition on a grander stage. This is why 73% of Leading growing organizations have implemented an ERP solution (Figure 2).

Figure 2: The Foundation for Growth



As mentioned above, growing businesses are pressured with more than just continuing to run smoothly. These organizations need quicker access to data so that they can make timely, but informed decisions. One way that this can be accomplished is by making ERP data more accessible, perhaps through a mobile device. But where growing organizations can truly most benefit is by applying enhanced functionality to the data contained within ERP. This way, they can use data in more substantial ways to make connections that were not possible before. This is why Leading growing organizations are 86% more likely to have paired ERP and Business Analytics together.

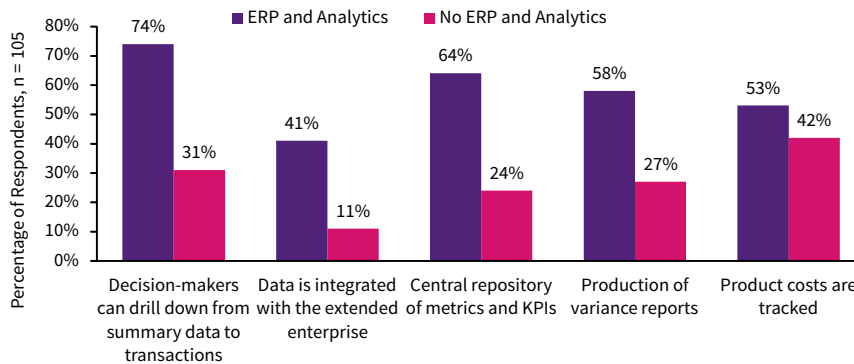
Getting More from Your Data

When growing organizations pair ERP and analytics, they are provided with a variety of capabilities that may not be provided by ERP by itself. In fact, organizations with ERP and analytics are

5

provided with a platform for enhanced visibility into useful information (Figure 3).

Figure 3: Enhanced Visibility



Source: Aberdeen Group, November 2014

53% of growing organizations with analytics and ERP enable employees to access reports in a self-service capacity in comparison to 28% of those without.

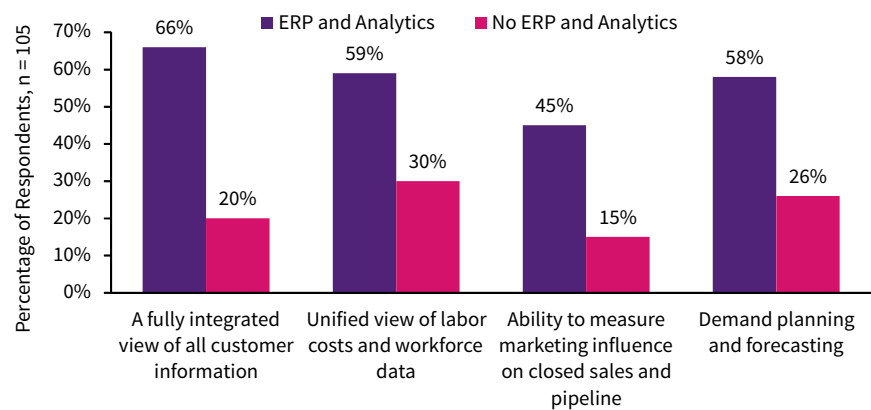
Compare organizations with both ERP and analytics to organizations without. Organizations with both are over twice as likely to provide decision-makers with the capability to scrutinize data by drilling down from summaries. This is how analytics helps to improve the ability to play around with, and utilize the data contained within ERP. Not only can organizations with ERP and analytics share this information more effectively, but they can also provide a single source for business leaders to study essential metrics such as product costs and create essential reports such as variances.

By making this data more accessible for the growing organization, ERP and analytics leads to improved decision-making. For example, organizations with ERP and analytics are over three times as likely to have a fully integrated view of all customer information (Figure 4). As a result, these organizations can improve customer service by having enhanced insight into customer preferences and needs as well as take an intelligent approach to sales. This is only one of the many ways that ERP paired with analytics can aid decision-making. These organizations can be more agile when allocating human

6

resources, can get a better understanding of the effectiveness of their marketing campaigns, or create more accurate demand forecasts. Analytics applied to ERP data can enable a growing organization to make connections with data that they did not know were possible. This can all be reflected on the bottom line.

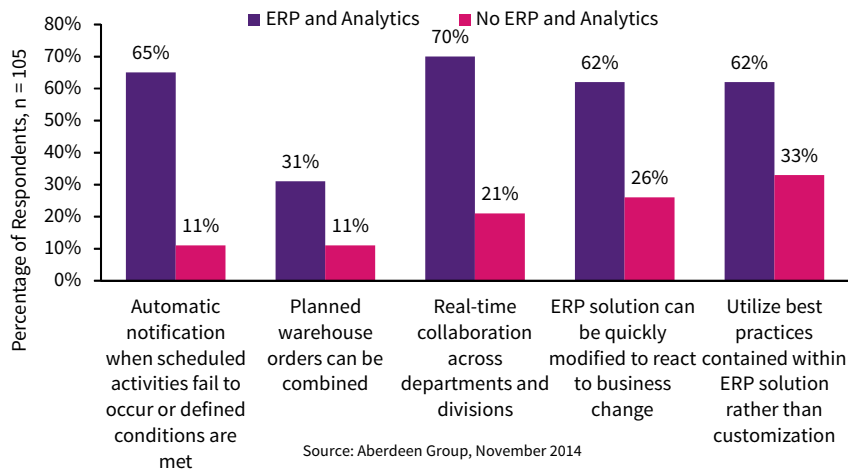
Figure 4: Do More with Data



Analytics can help to provide more than just improved decision-making. Survey data finds that applying analytics to ERP can also help to improve business execution. In fact, business analytics can help to improve business agility. Growing organizations with ERP and analytics are over six times as likely to provide employees with automated notifications based on defined conditions (Figure 5). These employees can then alter their actions to steer around adverse events or take advantage of new opportunities. One example of this would be through altering shipping by combining warehouse orders when it becomes advantageous. This is essential for managing growth effectively, since the organization should always be on its toes.

7

Figure 5: Improve Performance



Additionally, ERP and analytics can help to improve collaboration across an organization. Employees can more effectively share and work on reports. Their combined efforts can ignite innovation, continuous improvement, and growth.

Lastly, ERP and analytics can provide the technology foundation to scale with the organization. These solutions may be flexible to business change, but can also provide standard best practices and reports that a growing organization can rely on to become more effective. From decision-making through execution through support, ERP and analytics are the essential tools to grow your organization.

The Results

Due to the ability to utilize data more effectively, growing organizations with ERP and analytics perform better than organizations without across a variety of metrics (Table 1). For example, growing organizations with ERP and analytics saw a 17% improvement in profitability over the past two years. This is because they can make quicker decisions and perform more efficiently. Truly, organizations with ERP and analytics saw a

Organizations with both ERP and analytics see improved ROI from their ERP investment. Compare the reported direct benefits from an ERP solution of organizations with ERP and analytics to organizations without:

- Improvement in inventory turns: **33% vs. 27%**
- Improvement in stock to sales ratio: **21% vs. 13%**
- Improvement in operational costs: **14% vs. 9%**
- Improvement in administrative costs: **10% vs. 8%**
- Improvement in complete and on-time delivery: **17% vs. 12%**

8

23% improvement in time-to-decision and a 17% improvement in the cycle time of key business processes over the past year. These findings illustrate how pairing ERP with analytics enables a growing organization to get more value out of the data contained within ERP.

Table 1: The Benefits

Performance	ERP and Analytics	No ERP and Analytics
Improvement in profitability over the past two years	17%	9%
Improvement in time-to-decision over the past year	23%	16%
Internal schedule compliance	93%	87%
Improvement in cycle time of key business processes over the past year	17%	11%

Source: Aberdeen Group, November 2014

Key Takeaways

As a growing organization, it becomes incredibly difficult to continue to operate as effectively as when there were only a few employees. Most organizations rely on ERP to help them navigate this exciting, but difficult stage. But are these organizations truly getting all they can out of their ERP solution? The increased amount of data that becomes available is valuable but may ultimately be unmanageable. This is why leading growing organizations are 86% more likely to apply Business Analytics to ERP. This has resulted in an average 17% increase in profitability over the past two years. How are these gains achievable? Organizations with analytics and ERP can:

- ➔ Gain increased insight into the effectiveness of initiatives
- ➔ Know and serve their customers more effectively

9

- ➔ More accurately plan for and forecast demand
- ➔ React more quickly to business events
- ➔ Do more with less, and
- ➔ Make informed decisions to grow the business

ERP and analytics are the perfect pairing for growing businesses.

For more information on this or other research topics, please visit www.berdeen.com.

Related Research

[*Cloud Technology and the Multi-Tiered ERP Strategy: Supporting an Expanding Organization*](#);

February 2015

[*Customer-Centric ERP: Integrated Systems for Customer Satisfaction*](#); December 2014

[*Improve Your Midmarket Business Operations with Cloud Applications*](#); September 2014

[*Mobile ERP: Taking ERP ROI into Your Own Hands*](#); August 2014

Author: Nick Castellina, Research Director, Business Planning and Execution
(nick.castellina@berdeen.com)

About Aberdeen Group

For 27 years, Aberdeen Group has published research that helps businesses worldwide improve performance. We identify Best-in-Class organizations by conducting primary research with industry practitioners. Our team of analysts derives fact-based, vendor-agnostic insights from a proprietary analytical framework independent of outside influence. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision making and improve business strategy.

Aberdeen's content marketing solutions help B2B organizations take control of the Hidden Sales Cycle through content licensing, speaking engagements, custom research, and content creation services. Located in Boston, MA, Aberdeen Group is a Harte Hanks Company.