

THE COST OF DOING NOTHING: WHY YOU CAN'T AFFORD TO SIT ON AN ERP SOFTWARE DECISION

March 2017

Author: Nick Castellina

Vice President and Research Group Director, Business Planning and Execution

Report Highlights

p3

Those that chose not to implement an ERP solution face several costly challenges.

p5

The number one reason for updating ERP, is to take advantage of new technology.

p6

Those on the latest version of ERP, performed better in DSO, complete and on-time delivery, internal schedule compliance, inventory accuracy, and customer satisfaction than those that either do not have ERP, or are on older version.

p7

Those on the latest version of ERP are more likely to have access to ERP from mobile devices, embedded business analytics, eCommerce support, and social business capabilities.

This report outlines the reasons that organizations choose not to upgrade ERP solutions, and cautions against this approach, by supplying research that illustrates the benefits of keeping your ERP current and up-to-date.

2

Whether investing in a new ERP solution, or upgrading an old implementation, the cost of doing nothing is simply not worth it in the long term.

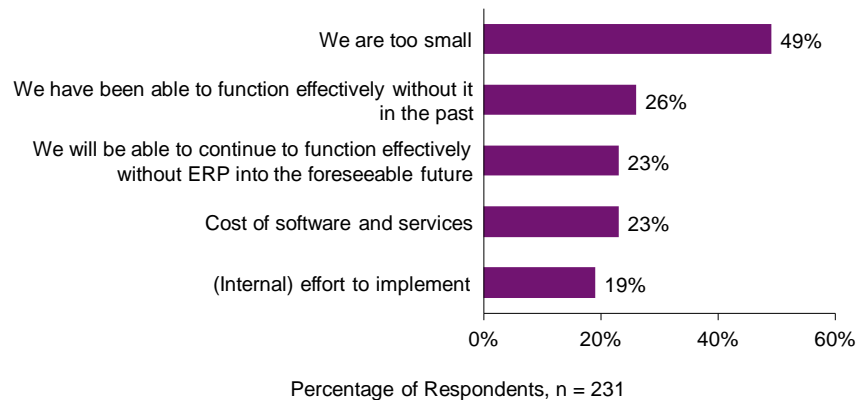
When determining which investments to make in their technology infrastructure, organizations will oftentimes choose to make no changes at all, and continue operating as is. While this decision avoids short-term costs and business disruption, it often simply “kicks the can down the road,” making the inevitable day of reckoning even worse.

Whether investing in a new Enterprise Resource Planning (ERP) solution or upgrading an old implementation, the cost of doing nothing is simply not worth it in the long term. This report outlines the reasons that organizations choose not to upgrade ERP solutions, and cautions against this approach by supplying research that illustrates the benefits of keeping your ERP current and up-to-date.

Time to Make a Decision

In a recent study, organizations, without ERP, were asked to indicate the reasons why they have not implemented a solution, as charted below:

Figure 1: Why No ERP?



Source: Aberdeen Group, February 2017

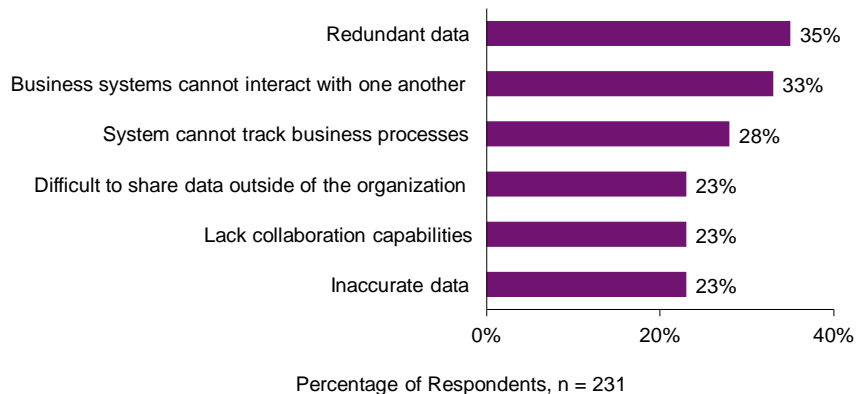
3

As shown in Figure 1, the number one reason that many organizations refrain from implementing ERP, is that they consider themselves “too small.” While there is a stage, in the growth of an organization, where they can operate without an ERP implementation, that size is shrinking, as more ERP vendors provide ERP functionality for smaller businesses.

But the most troubling reason that organizations do not implement ERP, stems from the naive belief that these organizations have been able to operate without ERP to date. As a result, they believe they will be capable of running without ERP in the future. These organizations either do not plan on growing in the coming years, or they are unaware of how their current technology environment is holding them back.

In fact, those organizations that have chosen not to implement an ERP solution, report several challenges that they face, as a result of their technology environment, as shown in Figure 2:

Figure 2: Challenges Stemming from Lack of ERP Software



Source: Aberdeen Group, February 2017

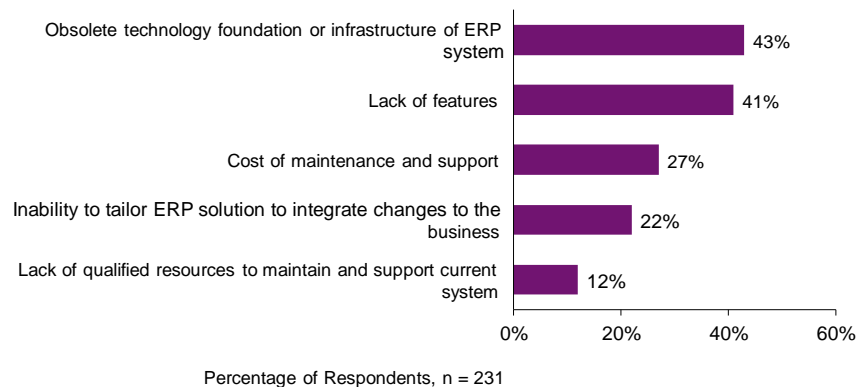
4

Ultimately, these challenges derive from ineffective visibility. Less robust applications are unable to provide information to decision makers in real time, because of an inability to track processes and redundancies. Therefore, business leaders are making decisions that may not be properly informed, which can significantly harm a growing organization.

Furthermore, obsolete technology has led to communication challenges. Internally, everyone may be on the same page, but inadequate systems can hinder communication with customers, suppliers, and regulatory bodies.

On the other end of the spectrum, there are organizations that already have an ERP solution, but are not achieving its full value. These organizations decided to make the investment in emerging technologies, to realize the benefits and advantages of a more modern solution (Figure 3). Top performers look to their ERP vendor as a partner that will help them with business innovation, providing access – to industry best practices and technology – to help them scale over time.

Figure 3: Reasons for Replacing ERP

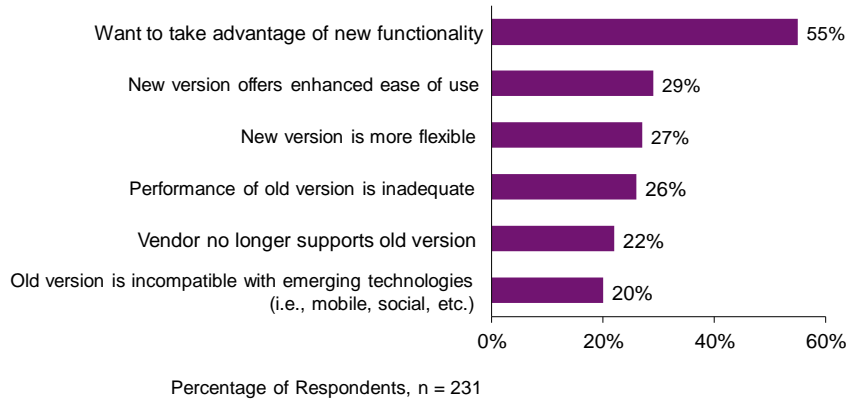


Source: Aberdeen Group, February 2017

5

Additionally, organizations that are happy with their ERP solution but have the option of updating it, chose to do so for similar reasons (Figure 4). These organizations want to take advantage of new functionality, improvements in ease of use, and support for emerging technology. Without these improvements, your organization will be stuck in the past and have a harder time competing. There are also tangible improvements in performance that can result from implementing an updated ERP solution, as illustrated below:

Figure 4: Reasons for Updating ERP



Source: Aberdeen Group, February 2017

The Cost

So, what is the real cost of avoiding an ERP decision? The data (from earlier in this report) shows some of the challenges that those that do not implement ERP have faced, as well as the

reasons that organizations, with existing implementations, choose to replace or upgrade. But there is tangible evidence that delaying the implementation, or upgrade, of a new solution can cause an organization to perform less effectively across a variety of metrics that will impact the bottom line (Table 1).

Those on the latest version of ERP performed better in days sales outstanding (DSO), complete and on-time delivery, internal schedule compliance, inventory accuracy, and customer satisfaction than those that either do not have ERP, or are on an older version. Due to their ability to utilize new best practices and other innovations, employees get the information they need to make informed decisions and act more efficiently. These metrics show the true result of an ERP decision and its impact on the bottom line:

Table 1: The Results

Average Performance	Latest Release	No Decision
Days Sales Outstanding	33.3	42.9
Complete and on-time delivery	91%	87%
Internal schedule compliance	91%	86%
Inventory accuracy	92%	88%
Percentage of accurate financial reports	96%	89%
Percentage of time that information is received during the “decision window”	90%	82%
Customer satisfaction	93%	88%

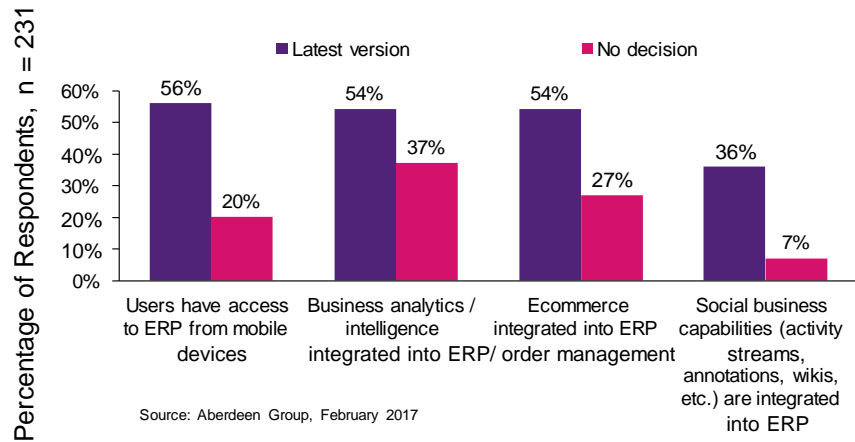
Source: Aberdeen Group, February 2017

7

Not only are ERP vendors building industry-specific best practices into their solutions, but these solutions include support for emerging technologies that are crucial for success in a modern business environment (Figure 5).

For example, those on the latest version of ERP, are more likely to have access to ERP from mobile devices, embedded business analytics, eCommerce support, and social business capabilities. Those that are utilizing old technology, will not be able to take advantage of these types of emerging technologies and keep pace with competitors.

Figure 5: Supporting Emerging Technology



Key Takeaways

Inaction is not an option. Whether you have not yet implemented ERP, or are running an outdated and inadequate version, the short-term benefits are far outweighed by the long-term

consequences of waiting to upgrade. Through the support of new best practices, functionality, and emerging technology, Best-in-Class organizations make sure to continuously upgrade and optimize their ERP solutions, to stay ahead of the competition.

There is a real cost to doing nothing. You cannot afford to wait on an ERP investment.

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

Related Research

[*ERP in Wholesale and Distribution: Improving Customer Interactions at a Lower Cost*](#); February 2017

[*ERP's Role in the Modern Manufacturer: Supporting the Needs of Industry 4.0*](#); February 2017

[*Top Performers Know It's Time to Migrate to Cloud ERP: Here's Why and How*](#); October 2016

[*Managing ERP Implementation Projects to Ensure ROI*](#); October 2016

Author: Nick Castellina, Vice President and Research Group Director,
Business Planning and Execution



About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Waltham, MA.

This document is the result of primary research performed by Aberdeen Group and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group.