

WHITE PAPER

7 Ways Cloud ERP Helps Organizations Build Resilience and Agility



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7 Ways Cloud ERP Helps Organizations Build Resilience and Agility

Delivering organizational visibility, mission-critical data on a single platform and supporting collaboration across remote workforces, cloud enterprise resource planning platforms help companies make quick decisions in today's unpredictable business environment.

When an unprecedented 10-year economic expansion came to a grinding halt in early 2020, a lot of companies were left scrambling to adjust their business processes, workforces and supply chains. Disruptive forces like trade wars, Brexit, global labor shortages and rising tariffs were already impacting multiple industries before COVID-19.

Yet, it doesn't take a global pandemic to turn a company on its head and force it to rethink its business model, processes and the technology that supports its operations. Supply chain interruptions, catastrophic weather events and natural disasters can all exact a toll on organizational productivity and profitability.

In other words, companies can't afford to get complacent about their business strategies. This white paper explores the key challenges that organizations are confronting right now and shows how a cloud enterprise resource planning (ERP) system can help them transform their companies into resilient organizations that can weather any storm.

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Uncertainty is the Nature of Business

As you sit in the cockpit of your business, turbulent winds and unpredictable conditions are forcing quick and precise decisions that challenge your team's collective wisdom and experience. Uncertainty is, after all, the nature of business. For example, a company may be expanding rapidly or facing market contractions; experiencing social, consumer and demographic shifts; traversing government regulations; or managing another force that promises to reshape its entire business landscape.

These shifts have been especially difficult for companies forced to rely on aging technology, poorly-integrated systems or software that doesn't fully support their operations. Businesses with entry-level accounting, spreadsheets and other point solutions likely spend valuable time and resources entering, aggregating and analyzing data with cumbersome manual processes. Companies running an older, on-premises ERP system are likely paying high annual software maintenance costs and in-house IT salaries, but don't even have access to the latest features and functionalities. That's because most on-premises ERP vendors also

have cloud offerings, the latter of which consume most of their R&D dollars and efforts. As a result, older ERP systems aren't getting the same level of enhancement and modernization that their cloud-based counterparts receive.

Meanwhile, businesses running on-premises ERP systems are often reluctant to undertake upgrades because the disruption caused by broken integrations and customizations being overwritten, combined with the added demands on IT, mean the costs outweigh the benefits. With fewer resources to devote to enhancements and businesses reluctant to perform upgrades, users are left to their own devices to figure out how to achieve their strategic objectives with aging technology. These gaps may be hidden during prosperous economic times, when everyone is happy with their company's performance and things are going well but come to the surface pretty quickly when disruption rears its head and begins to impact the bottom line.

For example, when mandatory office closings and shelter-in-place orders forced people to work from home, companies scrambled to find ways to support their suddenly-remote employees. Those



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using traditional, on-premises software faced the greatest challenge, as demand for remote access to these systems put a strain on network capacity, introduced new security concerns and created a need for better access controls. Sluggish system performance and lack of effective collaboration tools led to a decline in productivity, as completing tasks that were relatively easy to perform while in the office became much more difficult. Lack of integrated solutions and difficulty penetrating departmental data silos made it harder to know what was happening in the business right when companies needed visibility the most.

Cloud ERP overcomes these issues by allowing remote users to access the functionality and data they need to do their jobs from anywhere with an internet connection.

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Meeting the challenges posed by economic upheaval, political instability, natural disasters and other disruptive events isn't easy. Companies that succeed in these conditions, those that are able to adapt when others can't, have built-in resilience. They have the ability to innovate new products and services quickly, modify business processes—or their entire business model—and respond to new opportunities as they emerge. These organizations recognize the importance of supporting their customers and team members during a crisis, communicating with stakeholders, and making decisions based on the most accurate, up-to-date information available.

While operating effectively in dynamic situations takes leadership, management ability and the right corporate culture, it also requires systems that provide a solid foundation and have the flexibility to adjust as business needs change.

By putting finance and accounting, customer service, procurement, inventory, supply chain management, warehouse management and order fulfillment on a single platform, ERP unifies core business operations, improves internal controls and enhances visibility into organizational performance.

Here's how these capabilities help support more intelligent, resilient organizations and why companies need to begin evaluating their need for ERP now rather than later:

1. Enables remote workforce management and collaboration.

The shift to remote work was already underway when the coronavirus pandemic forced a rapid acceleration of those plans for many businesses. With state and local shutdowns looming, companies had to quickly find ways to transition their workforces to comply with stay-at-home rules. Reality hit hard when organizations began to have difficulty managing critical process with a remote workforce. Closing the books is just one example. Companies using basic accounting software, like QuickBooks, or an outdated ERP system, learned quickly that their standard approach wasn't feasible with the entire accounting team working from home.

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Using NetSuite's cloud ERP, the same accounting team can confidently review the data, make any changes and close the books remotely without having to be in the same physical location. The system's checklist functionality lets users know exactly what steps need to be taken and ensures a smooth close process.

2. Complies with accounting standards and regulatory requirements.

Complying with changing rules and regulations is a major headache for both public and private companies. Recent revisions to Generally Accepted Accounting Principles (GAAP) have pushed many organizations to reconsider processes typically handled with spreadsheets. Both ASC 606, the new GAAP standard for revenue recognition, and ASC 842, which changes the way companies report lease-related expenses, are already impacting public companies and will take effect for private companies soon.

Focused on eliminating off-balance sheet operating leases, the new lease accounting rules require companies to have leases lasting 12 months or longer listed on their balance sheets. This creates complications for companies that now must

separate out the presumed interest expense of the asset and the lease expense and amortize them over the duration of the lease. Managing this process in a spreadsheet risks data integrity and data entry issues when moving that data into an accounting system. Modern ERP systems can factor in all of the variables and automate the process.

New revenue recognition rules present similar challenges and require companies to recognize revenue in a consistent manner, based on achieving defined performance objectives. This is something older accounting systems and older, on-premises systems weren't set up to handle.

Cloud ERP solutions receive regular feature and capability updates that are automatically passed on to the user and can better handle these types of changes to accounting rules than older on-premises systems or entry-level accounting software, which typically issue less frequent updates. The potential for new rules and regulations always exist, but over the next several years as the global economy weaves and adapts, organizations should prepare for the possibility of greater regulation. Cloud-based ERP systems offer a clearer pathway to adapting to the new regulations.



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3. Gives all organizational departments a unified and accurate picture of the business.

As companies evolve, they tend to purchase software as a need arises. This leaves them with multiple systems from different vendors, each designed to perform a specific function or support a single department. Without complex and costly integrations, the data in those systems can only be accessed by a limited group of people. When critical information about customers, orders, inventory, capacity and more is spread across multiple solutions, aggregating it for analysis and decision-making is complicated and time-consuming.

Also, it's nearly impossible to get a complete picture of what's happening in the business. Turf battles often emerge over who has the more accurate data set. As a result, teams can't work together efficiently, and both productivity and profitability suffer. For example, if sales wants to promote a product but leadership can't see that there isn't enough inventory to support the promotion, then orders will go unfilled and customers will be unhappy.

Cloud ERP solutions provide accurate, real-time data that helps teams collaborate more effectively. Using real-time inventory data, sales and marketing can develop promotions for products that are actually in stock, leading to increased revenue and happier customers.

4. Drives quick reaction times.

Companies that are using disparate systems can't react fast enough to changes in their environments. With a unified system, reports deliver insights in real-time. Businesses with disparate systems often rely on IT or finance teams to gather and produce reports, which is often outdated by the time leadership sees it. Modern ERP systems feature role-based dashboards that give employees immediate

access to the data they need to do their jobs and the ability to drill down for further analysis without the need to call on IT for support. As a result, employees can make more informed, faster decisions and take advantage of new opportunities or realize and correct inefficiencies.

5. Reduces operational risk.

Without proper accounting and procurement controls in place, organizations can easily fall prey to dishonest practices, including the abuse of power by employees or struggle to provide accurate details to investors, auditors or regulatory agencies. ERP helps limit these risks by embedding approval workflows into procurement, accounts payable and other financial processes, as well as by controlling access to system features and data based on user roles and individual permissions.

6. Tracks unit economics, customer and project profitability.

A measure of profitability on a per-unit basis, unit economics are helping companies manage the current economic uncertainty while also helping them prepare for future success. Through a process of regularly evaluating the direct revenues and costs on a per-unit basis, unit economics help companies understand the profitability potential of product lines and adjust accordingly. Without integrated systems, manufacturers struggle to accurately answer these questions and determine how many resource are being allocated to product X versus product Y—visibility gaps that can impact margins.

Using cloud ERP, companies have the visibility they need to know which products are posting positive versus negative margins and make projections around business development and profitability.

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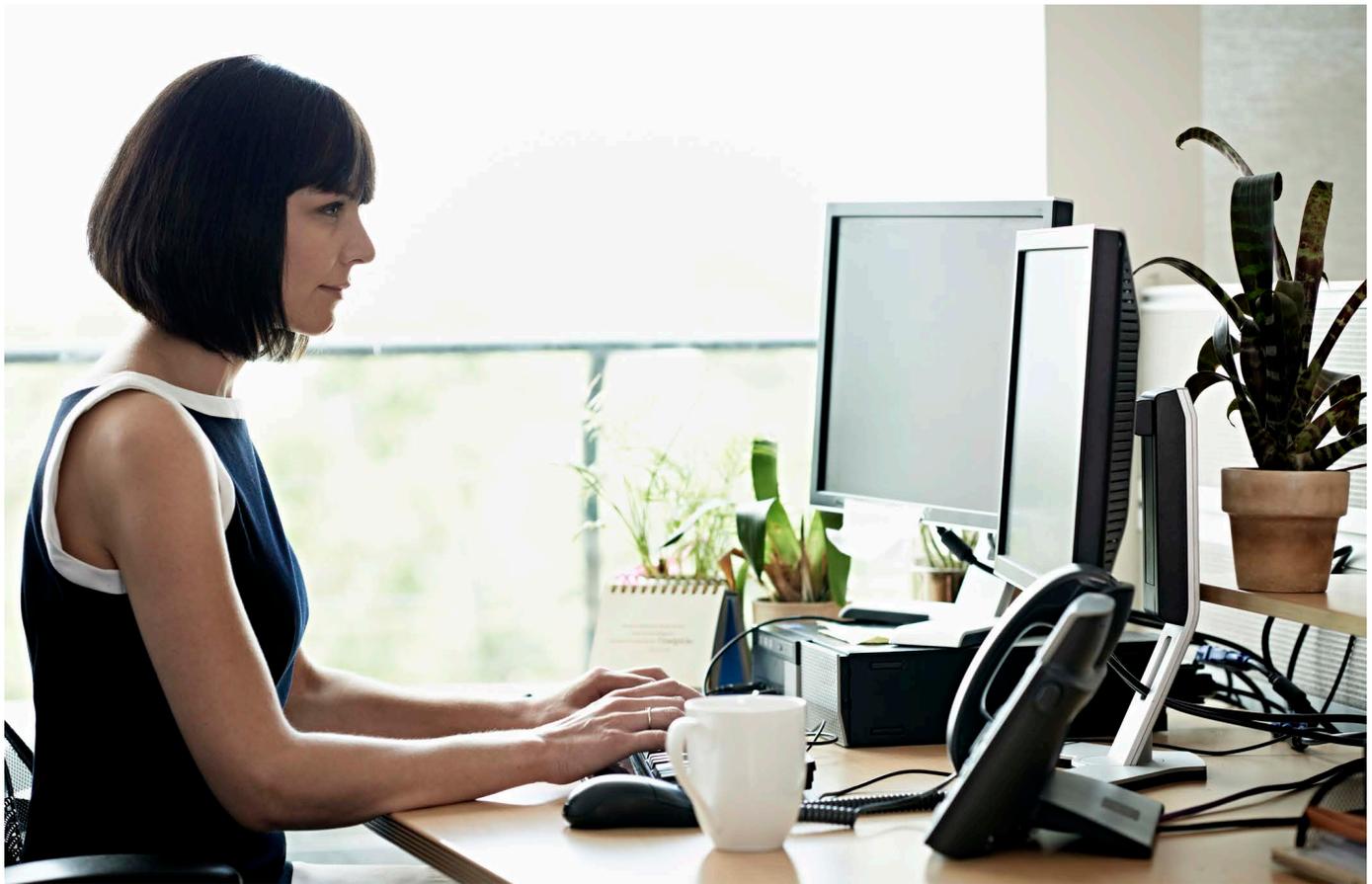
Similarly, without a unified system that tracks customer and financial data, businesses can struggle to determine who their most profitable customers are. Customer profitability requires insight into data across areas like average order volume, discounting and customer service requirements, which only a unified ERP system can provide.

Many services-based businesses also struggle to accurately quantify project profitability. An ERP system with a professional services automation component allows a business to allocate staff to projects based on their skill sets and project requirements, minimizing “bench time” for consultants and delivering the greatest profitability.

7. Helps companies scale and adapt.

Companies that initially rely on QuickBooks, spreadsheets or another basic accounting system generally outgrow those solutions as they scale and add complexity. When these organizations open additional locations, add subsidiaries and/or start handling multiple currencies, the need for a more robust, enterprise system increases exponentially. Additionally, any attempt to venture into new lines of business, such as services or new products demands the visibility and adaptability that ERP provides.

While smaller firms may be able to run on basic systems and spreadsheets, those that adopt cloud ERP not only improve their existing business management processes, they're also well positioned to scale up in the future.



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Is Your Company Prepared to Navigate the Unknown?

Companies that continue to rely on spreadsheets, poorly-integrated best-of-breed software and/or on-premises ERP to manage their operations face an uphill battle to overcome today's business challenges.

ERP has come a long way in the nearly three decades since the term was originally coined. Used mostly by large corporations, early systems required significant customization and took years to implement. The cloud has put the power of ERP into the hands of startup, midsized and large companies that need all of the benefits outlined in this white paper.

The cloud not only makes ERP more affordable, but also makes the systems easier to implement and manage. Cloud ERP also provides high levels of visibility into processes and performance with anytime, anywhere access to tools and data.

It makes it easier for companies to scale or add functionality as they scale and new business opportunities arise, lowers operating costs, and minimizes the need for upfront capital expenditures and dedicated IT resources.

By making data readily available, automating core processes and ensuring proper controls, ERP solutions allow business leaders to react more quickly to changing conditions. Instead of getting bogged down by manual tasks or a lack of information, they can focus on improving the business, leading to faster, more informed decisions and a more agile organization.

With a cloud ERP solution, both remote and onsite employees have accurate information that enables them to analyze data, spot trends and make better decisions faster. This is critical for identifying new opportunities and getting ahead of the competition. Not only that, but ERP helps eliminate time-consuming, repetitive tasks, dramatically lowers the cost of doing business and allows team members to spend more time on strategic initiatives.



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