**8 Signs Your Company Needs an ERP System**

**Unraveling organizational inefficiencies: 8 telltale signs signaling your company's readiness for Enterprise Resource Planning (ERP) implementation.**

[A person in a suit touching a screen

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While an ERP readiness assessment answers the question: “Do we have what it takes to implement an ERP system?”, there’s actually an important question to answer before a readiness assessment even starts: “Do we really need an ERP?” While every company is different, there are several common themes that indicate when a company is at the point where an ERP system will help overcome roadblocks and unlock growth opportunities.

**1. Inability to Close More Deals**

When companies outgrow their legacy systems for finance, supply chain management and customer relationship management, the result is often an inability to scale up the volume of sales deals. For example, if sales teams can’t get accurate visibility into inventory levels, they cannot commit to contracts for fear the company can’t deliver. ERP systems include sales, manufacturing, and logistics components that deliver real-time sales metrics and operations KPIs across the organization.

**2. Inconsistent Controls**

It’s impossible to monitor every activity at every company, but when organizations lose sight of decision-making processes or who accessed what data and when, it likely means existing operational systems are struggling. It makes it difficult to determine accountability across the organization and puts tremendous strain on managers, who often find themselves trying to track down where processes have broken, rather than spending time on more strategic projects. ERP systems automate processes to maintain greater operational discipline. They also use audit trails, for example, to ensure that companies have immediate knowledge about who accesses or makes changes within the system. ERP systems also allow companies to build access controls that assign different levels of access or modification to different organizational roles, which minimizes errors.

**3. Poor Real-Time Reporting**

One serious drawback of legacy operational systems for certain functions, such as finance, human resources, supply chain management or customer relationship management, is the inability to analyze data for decision-making thoroughly. When systems are disconnected and contain incomplete, inconsistent or redundant data, drawing firm conclusions about the state of the business becomes extremely challenging. For example, inaccurate or incomplete data can lead to erroneous information on inventory levels, which can delay order fulfillment. An inability to accurately understand inventory movement makes it difficult to understand which products are trending positively or negatively. Poor financial reporting can lead to missed opportunities to reduce costs. ERP systems provide real-time visibility into a centralized data warehouse for accurate, actionable reports. The result is much greater insight for decision-making and more timely, accurate reporting.

**4. Global Expansion**

Global expansion doesn’t necessarily require ERP systems — but they can help. For example, ERP systems can be configured to automate compliance with different laws and regulations concerning importing and exporting in each country, preventing costly shipment delays. The same is true for data privacy laws, which also vary by country. ERP systems can keep companies in compliance with international regulations, such as the General Data Privacy Regulation (GDPR) in Europe, which can have costly penalties for noncompliance. Thinking beyond compliance, Ambassador Foods, a U.S. importer of international foods, customized its ERP to simplify complex pricing strategies involving its customers, distributors and manufacturers.

**5. Scaling Business Operations**

Outdated systems with limited capacity often thwart an organization’s ability to scale operations. Legacy on-premises systems require significant investments in hardware and infrastructure to meet increasing demand for more users and processing power. Older systems often have limited functionality to handle complex financial transactions, including multicurrency payments. Older systems also tend to be more inflexible than recent cloud-based systems, often requiring companies to adapt processes to their limited capabilities. Legacy systems may also be difficult to integrate with newer technologies, creating data silos that result in inaccurate or incomplete reporting or compliance issues. ERP systems, particularly cloud-based offerings, allow companies to scale capacity and capabilities on demand to meet shifting business needs. Cloud-based ERP providers also upgrade their systems automatically to allow customers to adopt the latest features.

**6. Existing Systems Lose Support**

Eventually, all software reaches an end of life (EOL), when providers no longer offer technical support, patches or upgrades. Customers can continue using the software, but at their own risk and expense. When enterprise systems for customer relationship management, finance or manufacturing lose support, several risks increase, especially with on-premises software implementations. With more limited support, system performance will likely decrease while maintenance costs increase. Security and compliance risks are also exposed when customers lose access to expertise from providers. Companies can also expect to have difficulty integrating EOL systems with newer technologies. Cloud-based ERP systems make transitioning after EOL simpler and faster because they require very little, if any, hardware and infrastructure to implement.

**7. Added Manufacturing Types**

As companies produce more complex products, existing systems may struggle to support the manufacturing pipeline. Most companies use three broad categories of manufacturing processes to build products:

* Make-to-stock, where the manufacturer decides the components of its products and builds them in advance of orders, based on demand forecasts.
* Make-to-order, where all orders are custom, often because of the complexity of the product, such as an airplane. Manufacturing begins when an order is received. As a result, product schedules often vary, based on individual orders, making it difficult to manage inventory levels, production schedules and lead times.
* Make-to-assemble, where manufacturers build parts before orders but assemble those parts based on specific orders.

ERP systems manage complexity by providing a centralized platform that tracks and manages the manufacturing process from raw materials to finished goods. ERP systems also provide more complete and integrated inventory management, quality control and cost management tools.

**8. Mergers and Acquisitions**

While it’s not entirely necessary that companies looking to be acquired have an ERP system, without one the due diligence process for the acquiring company usually is more fraught with risk. How trustworthy are the acquired company's financial and inventory reports, for example, if it relies on disparate legacy systems with potentially inaccurate or incomplete data? An ERP system can add a degree of trust to the process, giving the acquiring company greater confidence in its decision. In addition, from an operational standpoint, unifying on a single ERP system post-acquisition is the best way to streamline operations and drive innovation by consolidating data and automating workflows, policies and processes.