

WHITE PAPER

# Top Strategies to Manage Business Growth & Maintain Momentum

*How modern manufacturers can reduce  
the inefficiencies that hinder growth*



Thriving businesses frequently face challenges around inefficiency as they grow - challenges related to more operating units, more competition, more processes, more people, changing business models, and other obstacles that can hinder a growing organization. The quest to remain competitive present challenges organizations just didn't have to deal with when they were smaller.

According to Aberdeen research the top sources of business inefficiencies are:

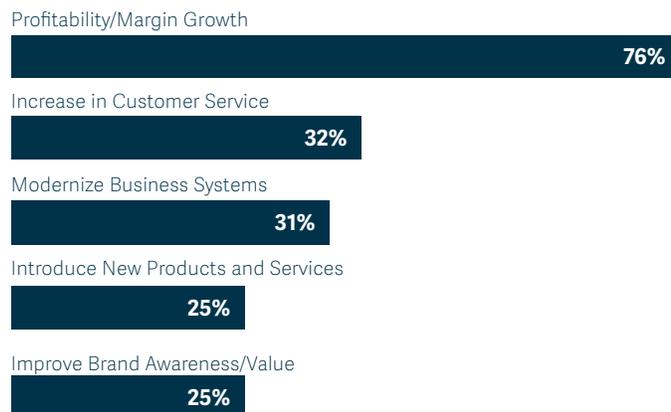
- rising costs
- disorganization within the business
- lack of insights for business leaders

These factors keep the growing business today from achieving its full potential and achieving its goals. In order to reduce the impact of these challenges and increase efficiency, leaders seek to standardize and accelerate both new and existing business processes, provide visibility and enhance organizational agility. The key is to provide more significant data to decision makers when they need that data so that they can act quickly to reduce the impact of adverse events or take advantage of new opportunities.

### Top Goals and Challenges for Growing Businesses

To provide context for any discussion about minimizing hindrances to an organization's goals, it's helpful to establish and prioritize those goals. Aberdeen's research shows that the number one goal by far for SMBs is profitability and margin growth. Organizations are looking to become more effective, grow their businesses and become more profitable. Many other goals the organization may have directly relate to and support this primary goal. Organizations are looking to increase customer service, modernize their business systems, introduce new products and service and improve brand awareness and value.

### Top Goals for Growing Businesses



Source: Aberdeen, 2019

The overarching objective is to become more effective as an organization to bring in more customers and to do so at a lower cost in order to efficiently utilize scarce assets, whether they're human resources, cash assets, machinery or other capital asset. The objective is to be able to get more out of your organization to impact growth as much as possible without being held back by the challenges that a growing organization faces today.

## Top Business Drivers/Challenges

Must Reduce Costs

38%

Need to Manage Growth Expectations

36%

Delays in Decision-Making from Lack of Timely Information

25%

Interoperability Issues Across Multiple Operating Locations

23%

Inability to Quickly/Inexpensively React to Business Changes with Major Disruptions

19%

Source: Aberdeen, 2019

These challenges that face growing businesses: reducing costs, lack of data, lack of collaboration across the organization and the inability to be agile in reaction to business change, are all elements significantly hindered by the inefficiencies that come with a growing organization.

### What does this mean to a modern manufacturing organization?

Manufacturers have multiple business functions including process controls that can help deliver efficiency and resulting profit gains. But these opportunities for optimization will reach a point of diminishing returns. Therefore, modern manufacturers need to look for other areas that may provide opportunities to drive efficiencies. One area that is commonly overlooked is the warehouse. For manufacturers automation in warehouse operations and well-integrated management tools provide opportunity to more efficiently deliver customers what they want, when they want it, all the while supporting production requirements for raw materials.

When manufacturers experience growth, they have to deal with increasing complexity and communication challenges. Organizational growth coupled with the loosely integrated management tools that may have been sufficient at one time detract from business visibility and agility. Efficient and scalable manufacturing processes demand nonstop communication between warehouse management systems and production management. For many manufacturers, accurate information does not flow in real time and remains siloed and inaccessible across disparate systems and environments. A critical and common disconnect between high-level business systems such as Enterprise Resource Planning (ERP), Product Lifecycle Management (PLM), and manufacturing-level systems presents a fatal, but fortunately surmountable barrier to growth.

Controlling costs and overcoming distribution industry complexities becomes increasingly difficult the more time you spend on manual, nonproductive tasks. As the business grows, those manual tasks that were once insignificant have now scaled and created inefficiencies that are undermining your profits and growth in a competitive landscape.

### To Invest in Technology or Not: The Cost of Doing Nothing

In the face of these inefficiency challenges, organizations must make choices about investing in technology to minimize those inefficiencies or move forward with the status quo. Aberdeen finds in their research, that one of the biggest mistakes a growing organization can make is to opt to doing nothing in terms of investing in technology to optimize business operations. It can be daunting to consider the investment of a business management system but what they have found is that though the cost may seem high, the “do nothing” option can be even higher and will only hinder the organization in the long run. Aberdeen has compared

organizations that are on the latest release of an ERP solution to those that either don't have a solution or are on an older version, and the former have performed significantly better than the latter organizations. The table below illustrates this comparison.

### The Cost of Doing Nothing

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, 2019

**“Best in class businesses focus on streamlining and accelerating processes to improve efficiency, and productivity first and foremost.”**

- Aberdeen

### Strategies Employed by Best in Class Organizations

Best in class organizations effectively manage and minimize the challenges that threaten their momentum and growth. These top performers are consistently more effective across three key performance metrics. These include:

- complete and on-time delivery to customers
- improvement in productivity over the past two years
- improvement in profitability over the past two years

They deliver products to their customers more often when those customers need them, they're becoming more productive, and they're improving their profitability. They're meeting goals of a growing organization, avoiding inefficiency and becoming more efficient. The ways in which they're doing this are rooted in the technologies and the capabilities they put into place.

To become more effective and reduce the inefficiencies that hinder growth, ultimately to become a more profitable organization, take guidance from these best in class organizations.



According to the Aberdeen Group, best in class businesses focus on **streamlining and accelerating processes to improve efficiency, and productivity first and foremost**. They look to standardize processes based on industry best practice practices to become more effective. They focus on the ways in which their organization is not getting the most value out of its resources and take steps to make their employees, decision-making, machinery or processes more effective.

### Top Strategies of Best in Class Organizations

Streamline and Accelerate Processes to Improve Efficiency and Productivity

71%

Modernize Technology Infrastructure and Applications

36%

Provide Visibility to Business Processes Across Functions and Departments

29%

Optimize the Supply Chain

21%

Improve Interoperability and Collaboration

14%

Source: Aberdeen, 2019

Research shows the number one way they improve efficiency and productivity is **by modernizing their technology, infrastructure and applications**. Beyond just the inefficiencies that come with a growing organization, outdated technology can effectively hold an organization back. Modernizing technology can facilitate streamlined and accelerated processes delivering the efficiency gains that growing organizations require. For example, running a business on spreadsheets involves significant time spent compiling data, fixing data, creating formulas, and ensuring that the data is accurate. These highly manual processes take time and labor and can directly impact the organization's ability to act on trends because of a lack of accurate insights into what's going on in the business. Additionally, there are many **capabilities available within business applications that provide access to emerging technologies like mobile, business analytics, cloud technology or social technology**, that relying on manual processes or spreadsheets does not provide, putting the business at a competitive disadvantage.

**“The number one way to improve efficiency and productivity is by modernizing the technology, infrastructure, and applications.”**

- Aberdeen

Technology modernization to improve productivity may look slightly different for manufacturing businesses than for other businesses, though at its core, automation is the common theme. Any task that is repetitive should be automated to minimize errors, collect data and give the organization the ability to scale. Manufacturers have typically focused their automation efforts on process controls, but there are opportunities across the entire organization: Sourcing, Finance, Warehouse Operations, even Human Resources. In top performing organizations, people are employed to perform only those functions that automation cannot.

Many warehousing costs, particularly storage and handling (for both raw materials and finished goods), can be reduced through improving methods and equipment to enable the operator to increase the number of units moved without increasing labor, resulting in a higher number of units handled per hour. One such method is the adoption of system-directed picking, which can reduce picking time. Changes to design layout in the warehouse can optimize the picking process as well.

Another technology that delivers gains is automated data collection. Those manufacturers that widely employ scanners, bar code readers and sensors have a competitive advantage over those who still use manual methods: there are fewer data collection errors, hence mis-ship and mis-picks, inventory data can be updated real-time to deliver better customer service, and data can be consolidated and analyzed to support better decision-making by business leaders.

The remaining three other strategies above relate directly to the benefits of modernizing technology infrastructure and applications, providing visibility to business processes across functions and departments. Again, as business leaders are removed from the day to day operations, it becomes increasingly difficult for them to make decisions based on realistic business conditions and guide the business effectively. That's just one of the many inefficiencies that come with growth. Better visibility can enable growing organizations to act more holistically and effectively, eliminating wasted time with excessively lengthy processes and trying to find the data needed to make decisions.

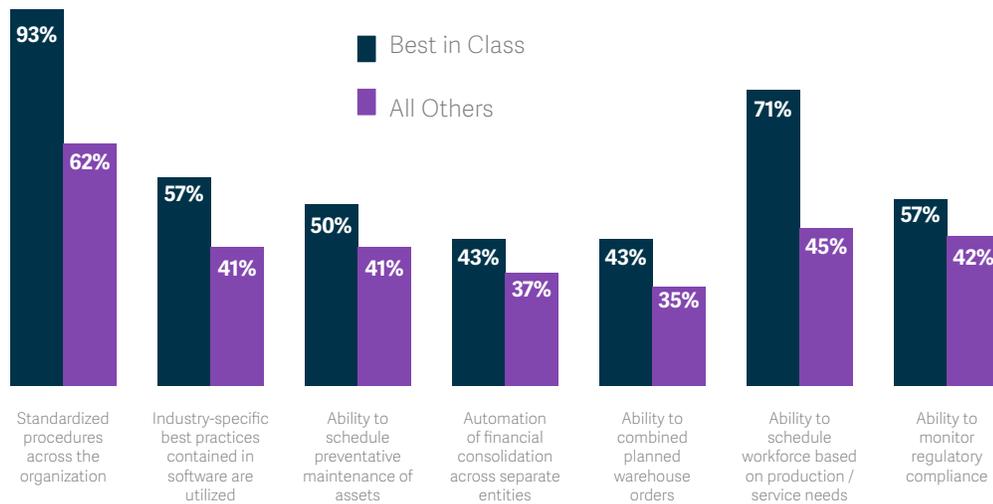
**Optimization of the supply chain** is another tactic to drive efficiency. This is of particular import to manufacturing organizations. It involves getting more value out of your relationships with your suppliers, being able to communicate with them more effectively, to do things like demand planning, to be able to get more favorable prices on materials.

Lastly, **improving interoperability and collaboration** is among the top strategies to drive efficiency. Collaboration emerges in research to show that when the organization is working together, when functions such as the supply chain and the shop floor or product development and sales or other teams are collaborating, more holistic decisions are made as an organization and more value is created. This is true of collaboration with the supply chain as well. Collaboration with customers and suppliers make better demand-based decision-making and will help the business to get the most value out of investments.

### **Capabilities of Top Organizations that Drive Business Execution Improvements**

Strategies are enabled by organizational capabilities. The key to avoiding inefficiency is to ensure that the required capabilities are in place to support organizational strategy and drive effectiveness. The more effectively the organization operates on a day to day basis, the less money and time are wasted trying to handle the challenges that come with growth. The table following illustrates the capabilities best-in-class organizations have developed in comparison to all others.

## Capabilities for Improving Business Execution



Source: Aberdeen, 2019

Organizational effectiveness starts with the **standardization of processes** across the organization. Standardization facilitates automation which, in turn, enables improvements in efficiency and execution. Warehouse operations particularly benefit from standardized procedures because of the nature of the work.

Best in class organizations are more likely to use **industry-specific best practices** contained within their business software. ERP and business management solution providers are continuously building functionality that's directly related to the unique needs of their customers' industries: based on industry best practices, based on the types of functions and processes that industry peers are executing to become more effective and reduce inefficiency and costs. These best practices can manifest themselves in a variety of ways, relying on the functionality of the business software used. Examples include the ability to schedule preventative maintenance, automate financial consolidation, make better decisions about warehouse orders, optimize workforce scheduling and manage compliance requirements. All of these allow a growing organization to get more value out of existing resources instead of needing to hire more, buy more, spend more. This allows the organization to enjoy the full value and return on investment of its scarce resources. These types of functionalities are found in the business management solutions that a top performing organization is more likely to have.

**Visibility and collaboration** are two core tenants of growth for today's businesses. Best in class organizations have more access to vital information due to the types of business solutions they have, than all others. As well, they are more effective at impacting collaboration both internally and externally. They have one single centralized source for all the information they need to run their business. For a growing organization that's becoming increasingly inefficient, the ability to make immediate informed decisions will allow the business to take advantage of any opportunities or mitigate any adverse events. For example, 57% of the best in class, compared to 45% of all others, have the ability to automatically notify decision makers based on defined conditions so they can act immediately to guide the business - to take advantage of advantageous input prices, to increase prices of finished goods, to invest in more product, invest in more people, or any other time-sensitive decision.

## Visibility and Collaboration Impact Growth



Source: Aberdeen, 2019

This capability is enabled through access to the key information that's used to run the business. This may include customer information, inventory and supply chain intelligence, traceability of raw materials, and logistics data. Access to this information enables the organization to keep inventory costs low, spend less on raw materials, and spend less money servicing customers. The most successful businesses are more informed, they're more agile, they're more collaborative with their customers and their suppliers and they're equipped to take advantage of ERP solutions and business management solutions that support these types of technologies.

### Select the Right Solution

If your manufacturing organization is dealing with challenges related to inefficiency, look for solutions that help you to directly impact the processes and decisions that are hampering your growth, efficiency and success. A modern technology infrastructure and applications for all functional areas that streamline and accelerate processes – both today and in the future are fundamental to driving efficiency. Your ERP vendor or your partner helping you select an ERP vendor can help determine needs for organizational improvement and recommend a solution to fit those needs. This fit is more important than simply the cost of the solution. And bear in mind that doing nothing is often the costliest choice of all.

Adapted from a Sage webinar presentation by Nick Castellina, VP and Research Group Director of the Aberdeen Group, 2019

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