Your partner in SAP Business One Implementation

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INFO SOLUTIONS PVT. LTD.
Make IT Reliable

**SAP** Business **One**

Your Old Systems Can
Drag Your Business Down!

Propel to new heights with
SAP Business One

Complete ERP Solution for SMB Companies

## Table of Contents

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# 1. Executive Summary

We, Praxis Info Solutions Pvt. Ltd. (Pune, India), are one of the leading SAP Business One Partners in Western India and have helped close to 50 companies from the SME (Small and Medium Enterprise) sector to adopt SAP Business One solution, which is a world class ERP solution from SAP specifically designed and developed for SME sector.

In our short journey of 5 years till date, we have interacted with hundreds of prospects and customers and have developed a reasonably good understanding of the market and its needs. Whereas the SME sector is key to the economy and is engaged in many value adding activities in the supply chain, there is a significant scope of improvement when it comes to management of company operations, especially in the Small and lower end of Medium sized companies.

The purpose of this paper is share our experiences and help educate the SME owners with respect to the immense possibilities of improvements in business parameters (be it cost reduction, improved customer satisfaction, visibility into operations) with the help of world class solution like SAP Business One.

Just so as to set a context to the discussion, the paper starts with the very definition of what an SME is, followed by what are the common characteristics of these companies, need for a world class ERP solution like SAP Business One, key benefits of SAP Business One, success stories & critical success factors followed by conclusion.

I hope that this information is found to be useful by readers and helps them take the first step towards drastically improve the way the company can be managed.

If you are interested to know more about SAP Business One and how it can help your company, you may please write to
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## 2. What is Small and Medium Enterprise?

Small and medium sized enterprises (SME) companies often drive a large percentage of countries' economies by delivering goods and services either to the large enterprises directly or to their Tier 1 /Tier 2 suppliers or to end customers, depending on the product or services. The question that arises too often is how do define an SME.

### 2.1 Definition of Micro, Small and Medium Enterprises

Let us consider some definitions for Micro, Small and Medium Enterprises as laid down by certain countries/unions.

#### 2.1.1 Indian Government

As per Government of India, the SME sector is categorised into two, namely manufacturing enterprises and service enterprises. Following table describes the definitions of each category and sub category.

| Manufacturing Sector | |
|---|---|
| Enterprises | Investment in Plant and Machinery |
| Micro Enterprises | Does not exceed twenty five lakh rupees |
| Small Enterprises | More than twenty five lakh rupees but does not exceed five crore |
| Medium Enterprises | More than five crore rupees but does not exceed ten crore |
| Service Sector | |
| Enterprises | Investment in Plant and Machinery |
| Micro Enterprises | Does not exceed ten lakh rupees |
| Small Enterprises | More than ten lakh rupees but does not exceed two crore |
| Medium Enterprises | More than two crore rupees but does not exceed five core |

Source: Development Commissioner (MSME), Government of India http://www.dcmsme.gov.in/ssiindia/defination_msme.htm

#### 2.1.2 European Union

In Europe, there are three broad parameters which define SMEs

| Enterprises | Number of Employees |
|---|---|
| Micro Enterprises | Up to 10 Employees |
| Small Enterprises | Up to 50 Employees |
| Medium Enterprises | Up to 250 Employees |

Source: Wikipedia

The European definition of SME follows: "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

#### 2.1.3 United States of America

In the United States, the Small Business Administration sets small business criteria based on industry, ownership structure, revenue and number of employees (which in some circumstances

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may be as high as 1500, although the cap is typically 500). Both the US and the EU generally use the same threshold of fewer than 10 employees for small offices (SOHO).

Source: Wikipedia

## 2.2   Common Ground

As evident from the definitions the parameters used for classification vary be it investment in Plant & Machinery (as per Indian Government) or based on combination of sales turnover and number of employees (EU) or based on other factors as in the case of USA. However, what appears to be common across the board is the fact that SMEs are considered as businesses that are below a certain threshold value of parameters that are indicative of 'size and spread' of the operations.

# 3.   Diving Deeper into an    Indian  SME

We will now look into the Indian SME sector. There are certain common features that characterize an SME in India. You may note that these are high level and broad observations.

## 3.1   Ownership

Usually SMEs are run by their promoters themselves, as against being run by externally hired professionals. There could be many reasons behind this. One of them could be that first generation entrepreneurs may typically like to set-up and run the company by themselves, since that would have been the primary idea to start a new venture. With a steady growth, many SMEs increase their staff size and expand operations gradually but the management team continues to remain the same (promoters). If business runs in family, then the next generation may get involved at the appropriate time to take the company further. Whereas there would be several examples where the promoters bring in professionals to run the company, good number of SMEs continue to be governed by the promoters.

Point to Note: Irrespective of whether the promoter runs it or an external professional, SMEs have a small management team and hence decisions are usually taken quickly.

## 3.2   Geographical Spread

Micro enterprises are almost always run out of one location. Small and mid-sized enterprises are seen to be run out of more than one location in many instances. As the business grows, companies need to expand and are typically seen to be spreading their wings gradually at locations that they can afford to invest. Sometime they are driven to an industrial park by their OEM customer that is keen on working on JIT principle.

Point to Note: Accessing information or knowing the status across multiple locations in a real time basis is a typical challenge faced by SMEs, who have not IT enabled their operations.

## 3.3   Process Standardiza    tion  or lack of it?

Business processes carried out in an SME, like any other company, depend on the nature of business. For example, a trading company may not have certain operational complexities to manage as compared to a manufacturing company. An SME engaged in any manufacturing activity has no

choice but to follow the production process that enables it to convert raw materials into finished goods. However, this does not necessarily mean that they are able to follow good processes or practices when it comes to managing inventory. In some cases, the processes are laid down but implementing them becomes a challenge especially if the activities are done manually and at multiple locations. Well, some companies may have developed a strong manual process with certain checks and balances too but there are good chances that the transaction processing time increases leading to delays.

Point to Note: IT enabled processes are a need of the hour in SMEs as they continue to fight competition in order to maintain their edge with respect to speed, consistency, quality and cost of the items or services that they provide to customers.

## 3.4    Limited Resources

Being small companies, SMEs are usually constrained by limited resources, be it in the form of capital employed, or plant & machinery or employee strength. People are usually tasked with multiple responsibilities while at the same time may not be really equipped with enabling tools. Most of the office related work is managed manually except in the form of basic office automation software tools like MS Office in some companies.

Point to Note: Small companies need strong enablers that will help improve their productivity, reduce manual mistakes, increase speed of work and make the operations system driven rather than people driven.

## 3.5    Poor Enterprise IT adoption

Information Technology, which has a tremendous potential to create positive impact on company operations, has been adopted only in small patches in SME. Most Indian SMEs do not use world class standardized ERP software applications. Instead, they seem to use accounting software and some other disparate software solutions to cater to a specific business process. However, basic office automation tools seem to be used commonly.

Reasons for not being able to adopt IT could be many, ranging from lack of awareness, lack of willingness to 'invest' in IT solutions (they would rather invest in additional plant and machinery to increase production output), or simply not having the time to consider it.

Point to Note: There are immense opportunities for SMEs to leverage IT solutions and improve their operational visibility, control costs and manage growth.

## 3.6    Scalability

Many SMEs face a challenge of scaling up the operations. Usually started with small capital and very limited resources, many owners find it challenging to scale the operations rapidly even if they have an expanding market. Reasons for this challenge could range from finances, too much dependency on people rather than processes, lack of skilled manpower etc.

Not being process driven leads to creation of bottleneck created by limited bandwidth of skilled or knowledgeable staff. It is observed that some companies, especially where the second generation has come into action (who are highly qualified and trained internationally in many cases), have

realized this and are willing to invest in IT enablement to move away from 'people driven' to 'process driven' company. This is where world class ERP solutions come into play.

Point to Note: It is mandatory for companies to have a standard common ERP platform if they wish to grow rapidly without being limited by scarcity of 'good people or human resources'. If the processes are driven by a system, then companies can work with people of lesser skill levels as well.

## 4.   Need For World Class ERP solution

An ERP solution is supposed to provide an integrated software environment where users from across the departments can log in and keep record of their business transactions in a tightly integrated manner. There are many software companies who develop such ERP programs locally, as per customer's need and it is observed that many companies have acquired such locally developed ERP as well. Such solutions appear to be less expensive to begin with and are usually tailored to the company's requirement at the time when the solution was developed. However, over a period of time these very solutions are likely to pose challenges such as inability to adopt new changes, lack of support from the solution developer, lack of new technology infusion in the product, lack of handling higher scale of operations etc. In some cases, it was also observed that companies were not able to take up a new type of business since their ERP system was unable to handle the scenario.

For reasons mentioned above and may be a few more, it is recommended that companies go for standard world class ERP solutions.

SAP, which is world's number of ERP Solutions Company, offers a specialized ERP solution for SME sector called SAP Business One. This solution is not only within the reach of an SME with respect to financial investment, but is also a gateway for companies to start running their companies as 'best in class' by adopting world class practices.

## 5.   SAP Business One – The Right Solution for SMEs

SAP Business One application offers an affordable way to manage business – from sales and customer relationships to financials and operations. Designed specifically for small businesses it helps streamline processes, act on timely information, and drive profitable growth.

Maintaining a competitive edge means having clear view of all aspects of your business. It means streamlining processes and always being able to get the information you need when you need it.

If you can effectively track and access all customer-related information, for example, you can better service your customers at every point of contact, helping ensure repeat business. And if you can accurately monitor and manage revenue and expenses, you will be positioned to optimize cash flow, increasing your financial strength and the flexibility to respond quickly when business opportunities arise.

The SAP Business One application is an affordable, comprehensive solution that provides functionality for every core process you need to run your entire business. Unlike niche solutions, SAP Business One supports integrated management functions, including financials, sales, customers, inventory, and operations, without the need for separate installations and complex integration of multiple modules. Designed specifically for small businesses, it's quick to install, and more important, straightforward to maintain and use.

Business information captured in a single system is instantly accessible across the organization, eliminating duplicate data entry along with related errors and subsequent costs. Workflow-based alerts trigger auto-response when important business events occur, so you can monitor and focus on those that are most critical.

## 5.1    Key Functionalities

SAP Business One offers following key functionalities (as of current release which is 9.1).



| Financials | Sales | Service | Purchasing | Inventory | Production |
|---|---|---|---|---|---|
| • Chart of accounts | • Opportunity and pipeline mgmt | • Service mgmt | • Purchase request | • Item mgmt | • Bills of material |
| • Journal entries | • Contact mgmt | • Service planning | • Purchase quotations | • Item lists | • Item Sets |
| • Posting templates | • Activities mgmt | • Tracking across multiple customer interactions | • Web-enabled RFQ | • Price lists | • Production orders |
| • Recurring postings | • Calendar | • Equipment card handling | • Purchase orders | • Goods receipts | • Goods issues |
| • Exchange rates in multiple currencies | • Campaign mgmt | • Service Dashboards | • Goods receipt POs | • Goods issues | • Goods receipts |
| • Financial reports | • Blanket agreements | • Service contracts | • Goods returns | • Inventory transactions | • Production Dashboards |
| • Budget mgmt | • Quotations | • Mobile Interaction | • A/P Invoice | • Transfers | • GL Account Determination |
| • Cost accounting | • Purchase orders | • Recurring transactions | • A/P Reserve Invoice | • Serial number mgmt | • Life Cycle mgmt |
| • Multiple posting periods | • Deliveries | • Human resource integration | • Down-payment Invoice/Request | • Batch number mgmt | • Item cost calculation |
| • Incoming payments | • Returns | • Knowledge database | • Cancel Marketing Documents | • Pick and pack | • Forecasts |
| • Outgoing payments | • Invoices | • Service calendar | • A/P credit memos | • Recurring transactions | • MRP |
| • Payment run | • Dunning | • Service call processing | • Landed costs | • Inventory Tracking | • Drop Ship |
| • Bank statement processing | • Price lists in multiple currencies | | • Intrastate | • Bin Location | • Make to order |
| • Checks | • Special prices | | • Import Process | • Multiple Measurements | • Order recommendations |
| • Credits | • Period and volume discounts | | • Workflow | • Inventory Counting | |
| • Deferred payments | • Customer mgmt | | | | |
| • Account reconciliation | • Gross profit calculation | | | | |
| • DATEV / ELSTER | • Microsoft Office integration | | | | |
| • Fixed Assets | | | | | |

## 5.2    Easy to Adopt

One of the critical success factors for an ERP project is speed and ease of user adoption. SAP Business One has very user friendly and intuitive screens that are standardized across modules so that users can get trained rapidly and get comfortable with the system within no time.

## 5.3    Robust and Flexible

SAP Business One is a world class product that comes with trademark SAP robustness. However, what really differentiates it from others is the flexibility that it offers, even while being robust. There are several features that make the solution very adaptable to certain unique requirements that an SME may come up with. Whether it is adding new field with few clicks of mouse, or ease of setting

up process locks, checks, alerts or even creating additional solution modules. SAP has architected the software in a manner that such changes can be handled with extreme ease.

## 5.4    Scalable

SAP Business One can handle increased business transactional volume as the company grows. It can easily support multi-location set-up as well by enabling users to access to single centralized SAP server as is the case with many of our customers.

## 5.5    Low TCO (Total Cost of Ownership)

One of the myths amongst the owners of SMEs is SAP is very expensive and is not meant for small companies. This is mostly due to awareness. Once educated on SAP Business One offering, they realize that the solution is very much within their reach.

SAP Business One has a low total cost of ownership across following

Affordable license cost and AMC structure
Quick to implement
Affordable implementation fees of partners
Does not need high end servers (Cloud option is also available)
Low cost of ongoing maintenance
24 X 7 support from SAP, in case there are any product support requirements
Free access to patches, upgrades, releases etc.

## 6. Success Stories

We have worked with close to 50 customers and helped them adopt SAP Business One solution successfully. These companies belong to various industry sectors like

Automotive Components
General Manufacturing
Food and Beverage Manufacturing
Specialty Chemicals Manufacturing
Media
Services

With each of the implementation success story, there was something new to learn which adds value to us as SAP Partners which comes in handy during the next implementation. Whereas each project has its uniqueness, there are certain common characteristics across these projects as follows:

Projects were implemented within agreed budget
Customers are successfully using the system since they went live
They have seem clear benefits of adopting SAP Business One
Implementation projects have got completed in anywhere between 1 month to 3-4 months depending on size, spread and complexity

Critical Success Factors (CSF)

After having worked with several customers over last several years we believe that there are certain factors that need to be recognized and acted upon to ensure that projects get implemented in time and within budget. These CSF are:

Prioritize business needs
    o   Focus on essentials or must haves; Leave nice to haves for later
Well defined project scope
    o   Phase wise approach if needed
Keeping the solution simple
    o   Improves User Adoption
Having the right project team
    o   Aligned with project goals and timelines
Master Data Accuracy
Communication – Internal and External
TEAMWORK
    o   Representatives from the customer and the partner need to work very closely and in a synchronized manner

# 7. Conclusion

We firmly believe that every company can do better than what it is doing currently irrespective of its size. SMEs are in particular subject to greater improvement opportunities since most of them are operating in a traditional manner and have probably not taken any significant step towards improvement in 'management' of business leveraging Information Technology.

Business Solution like SAP Business One has tremendous potential in helping the company run themselves at higher efficiency levels with increased visibility in operations, reduction in manual and repetitive work, reduction in cost (better inventory control, more checks and balances) and enhanced customer relationship.

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