

# Integrating Your ERP and CRM: Worth the Trouble?

By Alesa Lightbourne, Ph.D.

*If you're like most mid-sized companies, you adopted enterprise resource planning (ERP) and customer relationship management (CRM) systems separately and for different reasons. You shopped carefully, selecting an ERP system for powerful financial and inventory functions and a CRM system for flexible customer data storage and handling. But now you're stuck with two stand-alone products, requiring duplicate data entry and hampering enterprise-wide analysis. Given the inherent costs and risks of any IT project, should you consider integration? The answer is a qualified yes.*

Ray Wang, an analyst with Forrester Research in Cambridge, Massachusetts, gives integration an unequivocal thumbs up.

*"The benefits of ERP-CRM integration are huge. ERP systems provide much-needed internal information that can be shared with new stakeholders. CRM systems provide the entry point for stakeholders to engage with an organization. You can't really have one without the other and be successful in the marketplace."*

But what if you have heavy customization on one of your systems or worse, both? You may have developed so many workarounds over the years that you can't even consider an out-of-the-box linking application. Although integration sounds great in theory, you cringe at the thought of even getting bids for implementation. And unless your company has rebounded faster than everybody else with the current economic strain, replacing either system can appear to be cost prohibitive.

## ROI Reasoning

Like everything else, the decision to integrate your ERP and CRM starts with the bottom line. The move will certainly create a positive impact in the long run, but what about the immediate future? The tighter your operational budgets, the more important it becomes to justify a return on investment and illustrate with a credible timeline how quickly that ROI can be delivered.

If you prepared an ERP-CRM integration ROI analysis several years ago and it didn't hold water, it might be wise to reevaluate. Until fairly recently, the stronger systems were built on proprietary architectures. This inhibited data exchange, as standards had yet to be

defined. System integration therefore tended to be both complex and costly, particularly when involving best-of-breed applications of either variety.

Today, however, not only have standards improved, but a new consulting niche has emerged. We now have very competent system integrators (SIs) specializing in the ERP/CRM market. These SIs have scores of implementations under their belt, with diverse manufacturers and various sizes of clients; this means that you won't be part of their learning curve. They have also developed techniques for streamlining the integration process and avoiding common pitfalls with each respective manufacturer. Therefore, the bid you receive today might be quite different than the one you got last time around – especially if you select an SI with plenty of experience.

## The Value of Visibility

After looking at the bottom line, there are less tangible but equally important considerations in linking your ERP and CRM systems. For instance, an immediate benefit of having one seamless system is widespread access to data throughout your enterprise. With integration, suddenly you can view many facets of your customers at once, eliminating the departmental silos that otherwise prevent creative problem-solving. You can analyze customers' buying preferences from your CRM system, combined with their payment history from your ERP system. This fosters new insights into your customer base, permitting more accurate targeting and more effective marketing programs.

An example comes from Neundorfer, a clean technology manufacturer, who reported a profound cultural shift from improved visibility after integrating their ERP and CRM systems. "Across every department, our staff now understands the value they add to the company and the importance of their positions and the work they do. They look for ways to improve our operations, and that leads to better quality for our customers," said Jean Ockuly, Vice President of Finance.

## Efficiency and Accuracy

Similarly, an integrated system eliminates duplicate data entry, a no-brainer for improved efficiencies and reduction of error. As Richard Smith notes in [Destinationscrm.com](http://Destinationscrm.com):

*"Companies with high volumes of sales transactions see almost immediate benefits in the order-to-cash process. Specifically, the cost savings come from reducing errors in order entry, implementing approval workflows for discounts, and reducing the manual labor required to enter orders in both CRM and ERP. Even organizations with relatively low order volumes can experience significant cost reductions through improved order accuracy (reduced returns lead to lower overall shipping costs)."*

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–Ray Wang, Forrester Research

A good illustration is provided by Divisions, a facility maintenance group headquartered in Newport, Kentucky. “The efficiency gains are enormous,” says Kyle Murray, Chief Information Officer. “We produce several thousand proposals every year. Before, the process involved in generating each new proposal and subsequent contract consumed an hour and a half of employee time. Now it takes 10 minutes. We are literally saving thousands of hours annually.” Furthermore, he attributed a large part of his firm’s 50 percent annual growth and the tripling of its workforce to insights from ERP-CRM integration.

### **Marketing Moxie**

Having unified ERP and CRM solutions often translates into improved marketing results, too. Consider that your customer information on demographics and purchasing patterns resides in the CRM system. But data on credit, returns, and payment history is sealed off in your ERP system.

Bringing these two databases together allows your sales staff to offer one-off incentives to your best clients and control future orders for the more problematic ones. Representatives know instantly when prices or sales terms change. Similarly, with access to CRM information, your finance department can weigh in on sales, marketing, and service decisions, ensuring that expenditures target only the most valuable customers and prospects. The result can be a leaner sales and marketing team.

### **Single-Vendor Solution?**

If you’re in the market for a CRM system and want to save money on implementation, don’t make the mistake of assuming that selecting your ERP vendor’s CRM system will be a quick fix. It’s true that there may be benefits to sticking with one manufacturer, including the potential for a more straightforward installation, ready-made interface, and trained installers. But the fact is that not all CRM systems are created equal, nor are all interfaces – even when both systems come from the same provider. You could easily end up with an inferior CRM product, one that simply doesn’t meet your needs, or a so-called disjointed system requiring extensive (and costly) customization.

The right system integrator will walk you through a series of steps to evaluate which products make the most sense for your organization, considering both current and anticipated requirements. For instance, your consultant will most likely ask about how you want to synchronize data between systems and which should be the primary repository for shared elements, like billing and shipping addresses, contacts, and organizations. They will evaluate the business processes you use to convert quotes into orders, checking to see whether this can be managed effectively from sales opportunity data within the CRM system. Your answers will help them recommend the optimal CRM product, regardless of your legacy ERP system, and determine the best strategy for implementation.

## Partner Carefully

Clearly, integration is the name of the game wherever you turn in IT. "Seamless solution" has become a buzzword for good reason. In the case of ERP/CRM, organizations that link the two systems typically reap substantial benefits in profitability, efficiency, and accuracy which in turn lead to improved time to market, cash flow, and overall agility.

But as with any good idea, the devil is in the details. And given the sophistication and complexity of both ERP and CRM technology these days, it takes an expert to manage those details. In other words, the success of your conversion lies in the hands of your system integrator. Choose a business partner with impeccable references, an impressive track record, and the integrity to put your interests ahead of their own. This is your best assurance that the integration will, indeed, be worth the risk and cost.

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