



EBOOK

4 Things SaaS Companies Should Look for in an ERP System

INTRODUCTION

SaaS companies scale rapidly in today's competitive landscape, and the need for a robust, flexible, and efficient Enterprise Resource Planning (ERP) system is increasingly critical. ERP systems are the backbone of financial and operational management, providing insights and automation that drive growth, ensure compliance, and support long-term scalability and efficiency. This whitepaper is designed primarily for Controllers and CFOs, while also offering valuable insights for the broader C-Suite.

By the end of this eBook, readers will understand the unique needs of SaaS companies, the limitations of legacy ERP systems, and the essential functionalities required to eliminate inefficiencies and support sustainable growth..

Takeaway:

A modern ERP isn't just about easing pain points—it's about eliminating them entirely.



What Makes SaaS Unique

SaaS businesses operate under models and conditions that set them apart from traditional companies, creating unique financial and operational challenges.

Recurring revenue models

Subscription-based or consumption-based pricing requires dynamic billing and revenue recognition. Many software companies struggle when transitioning from upfront perpetual licensing to subscription-based models, as revenue must now be recognized pro rata rather than upfront. This shift adds complexity to financial reporting, requiring a modern ERP that automates deferred revenue tracking and ensures ASC 606 compliance.

Frequent contract modifications

ERPs must support upgrades, downgrades, and custom contract terms without manual intervention.

Customer retention and expansion

Due to high acquisition costs, SaaS businesses must precisely track customer lifetime value and churn to ensure sustained revenue growth.

Real-time, data-driven decision-making

Optimizing growth and ensuring compliance with regulations like SOC 2 and GDPR requires accurate, up-to-date insights across the organization.

Cost management challenges

SaaS providers bear the ongoing cost of cloud infrastructure (hosting, data storage, and AI usage) and operational expenses related to DevOps, CloudOps, security, and support teams. Unlike on-premise deployments, where customers manage much of the operational overhead, SaaS companies must account for these ongoing costs, which can compress margins. With investors expecting gross margins beyond 80%, actively managing and monitoring SaaS cost drivers is critical to long-term profitability.

Rapid scaling requirements

Systems must grow alongside the business without costly overhauls or operational slowdowns. Unlike traditional industries, where direct material costs and manufacturing overhead dominate, SaaS companies face significant and variable cloud infrastructure costs. ERPs must dynamically track cloud spend to maintain profitability as usage scales. Additionally, SaaS businesses often expand globally much faster than traditional companies, requiring multi-entity, multi-currency financial tracking earlier in their lifecycle.

Takeaway

SaaS companies aren't static—their ERPs shouldn't be either.

Where Legacy ERP Solutions Fall Short for SaaS

Legacy ERP systems, often designed for industries like manufacturing, fail to meet the demands of SaaS businesses. **These systems struggle with:**

Recurring billing and revenue recognition

Often an afterthought, requiring manual workarounds or additional apps that cost a lot of money that introduce errors and compliance risks.

Limited visibility into SaaS-specific metrics

Key indicators like ARR, MRR, churn rates, and LTV are difficult to track accurately.

Integration challenges

Creating data silos that prevent a unified view or necessitate the implementation of expensive iPaaS tools like Boomi, MuleSoft, or Workato across essential platforms like CRM, spend management, and cloud cost.

High implementation and maintenance costs

Costly upgrades and IT-heavy management drain resources with little return on investment.

Inflexibility

Legacy ERPs rely on rigid processes because they lack robust testing and experimentation environments—often called sandboxes—using production data. This limitation makes them error-prone and unable to adapt to evolving SaaS business models or rapid scaling.

Legacy ERPs weren't built for the fast-paced world of SaaS, where revenue models are increasingly subscription-based and usage-based.

Takeaway

Legacy ERPs don't just create inefficiencies; they limit potential.

Key Functionality SaaS Companies Need in an ERP System

To eliminate inefficiencies, modern SaaS businesses need ERP systems that are purpose-built for their dynamic environments.

Here's what to look for:

1 Unified Subscription Management and Revenue Recognition

Managing subscriptions isn't optional; it's the core of SaaS operations. Companies need:



Bi-directional, integrated CRM workflows (e.g., Salesforce) to unify customer data. Poor synchronization between CRM and ERP systems can lead to inaccurate revenue projections, contracts, and unprofitable deals—critical risks in SaaS, where profitability is key once the 'growth at any cost' phase ends.



Automated revenue recognition and waterfall reporting, aligned with ASC 606 standards, including handling of complex contract modifications, multiple element allocations, and SSPs.



Flexible billing models that support custom contracts, pricing structures, and multi-tiered plans.

Takeaway

Subscription complexity requires ERP automation.

2 The New Cost Landscape

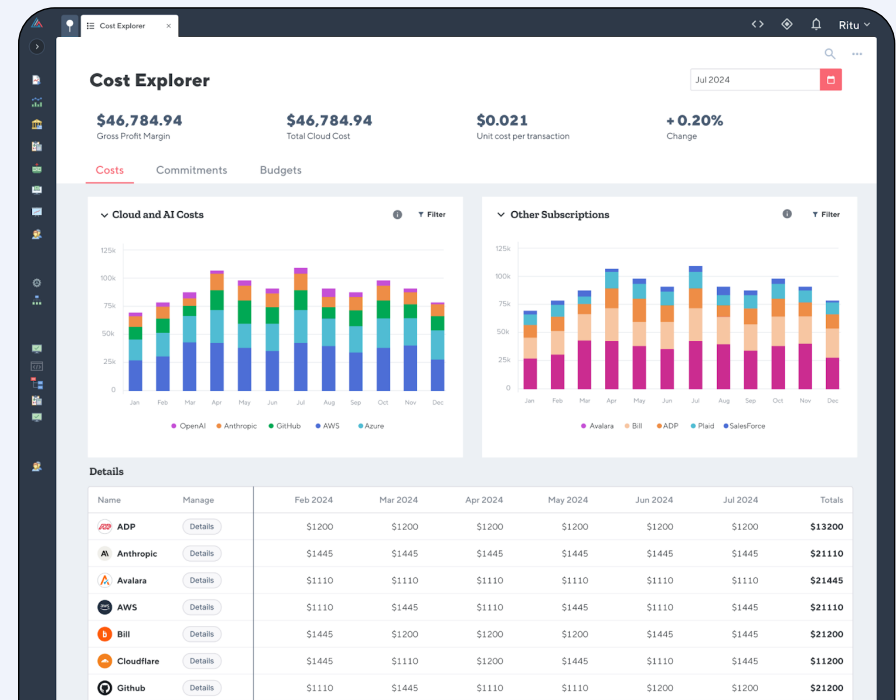
For SaaS businesses, the primary cost drivers are people (salaries, commissions, and benefits) and cloud infrastructure (hosting, data storage, and AI usage). Cloud operations teams—including those involved in deployment, maintenance, and support—also contribute to costs and should be accounted for as COGS, directly impacting the Gross Margin denominator. Understanding these cost dynamics is essential for profitability.



Detailed cost analysis at the customer and product levels allows for better margin visibility.



Cloud cost tracking helps prevent budget overruns and ensures optimized resource allocation.



Takeaway

Your ERP should illuminate costs, not obscure them.

3 Global Financial Reporting, Forecasting and Compliance to Local Accounting Standards

SaaS companies often operate globally, requiring multi-entity financial visibility. A modern ERP provides:



Real-time SaaS metrics

(ARR, CAC, NRR) alongside traditional financial reports.

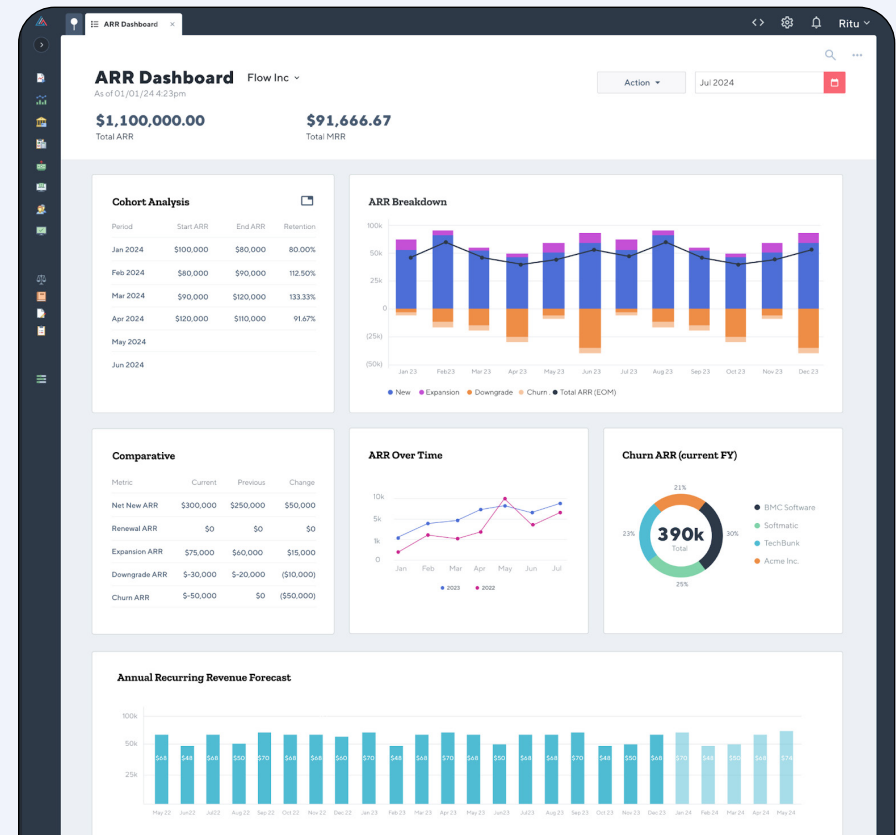


Customizable dashboards

tailored for different stakeholders, from accounting to leadership. Financial reporting depth should include multi-entity consolidations, multi-book management, intercompany transaction tracking, revaluation support, and CTA (Cumulative Translation Adjustments), ensuring global operations remain transparent and auditable.



Multi-currency and multi-entity support to streamline global consolidations.



Takeaway

Global financial transparency starts with real-time, audit-ready reporting.

4 Business User Empowerment Reducing IT Dependence



What-if analysis

to help test and simulate changes, and safely review and publish them inside the system.



Data staging and cleaning capabilities

to ensure external data ingested into the ERP is finance ready.



Custom AI Agents development

by business users, using natural language prompts. Give business users the power to use AI to develop and safely test their own features/extensions to the system.



Implementations

delivered by SaaS experts.



Built-in integrations

to many popular applications that connect to ERP, and migration tools to painlessly transition from existing tools.

Takeaway

Real-time visibility to test changes fuels faster, smarter decisions.

CONCLUSION

SaaS companies face unique challenges that legacy ERPs weren't designed to handle. A modern ERP eliminates inefficiencies, supports scalability, and provides real-time insights necessary to thrive in a fast-paced market. It's not about easing pain points; it's about eliminating them entirely.

About Everest Systems

Everest Systems delivers ERP solutions for the AI era designed specifically for SaaS companies, addressing the challenges of subscription management and consumption/usage, revenue recognition, and financial operations. With built-in compliance, automation, and real-time insights, Everest enables businesses to scale efficiently. Unique features like Live Sandbox™ allow safe testing, while AI-driven automation reduces manual work, making Everest the go-to ERP for modern SaaS growth.



Takeaway:

Don't settle for incremental improvements —choose an ERP that transforms how your business operates.