



HOW LEADING MSOS OVERCOME
COMMON CHALLENGES

ACHIEVING OPERATIONAL EFFICIENCY OVER MULTIPLE UNITS OR FACILITIES

Sage Business Partner
Diamond

canna
BUSINESS
ERP

A stylized green leaf logo consisting of three leaves arranged in a fan shape.

Achieving Operational Efficiency Over Multiple Units or Facilities

The cannabis industry is changing; 2022 was a difficult year for cannabis operators, and more volatility is expected in 2023. But now that the cannabis boom experienced during the COVID-19 pandemic has levelled out, cannabis companies all over the U.S. are gearing up for a shift in the market that demands high levels of operational efficiency and resiliency to succeed.

2022 was tough for cannabis cultivators and processors. High inflation, saturation in younger markets like Michigan and Massachusetts, overproduction and a lack of capital plagued the cannabis industry last year and forced operators to cut costs and streamline operations as much as possible.

But not all hope is lost. Recent polls suggest that public opinion in favor of cannabis legalization is at an all-time high. Consequently, the push for more federal reforms for cannabis is expected to continue this year. And while the US economy is continuing to struggle post-pandemic, more (albeit smaller) mergers and acquisitions can be expected as many license holders will be looking to exit the market. This creates more opportunities for single-state operators (SSOs) to increase their footprints and multistate operators (MSOs) to enter new markets.

In this three-part series on overcoming industry challenges as an MSO, we'll be discussing the importance of creating a solid foundation for future federal legalization and the obstacles that arise as an MSO grows. In part one, we look at the challenge of streamlining operations across multiple business units or facilities. We also discuss the ways integrated software built for cannabis cultivators and processors helps leading MSOs overcome operational and data-integrity issues.



Creating a Foundation for the Future

Last year, the U.S. federal government passed the country's first standalone cannabis law entitled the Medical Marijuana and Cannabidiol Research Expansion Act. This newly enacted law is significant in that it is intended to generate research supportive of medical uses of cannabis. If done effectively, this research may force US Congress to consider further cannabis reform and open the discussion about wider reform at the federal level.

As the federalization of cannabis inches closer and closer to reality, MSOs must start to think about how to prepare for the future. For example, federalization will undoubtedly create an additional layer of regulation that is mandated at the federal level. This federal regulation on top of state or even local rules for cannabis growing, packaging, testing and marketing has the potential to create conflicting laws and gray areas that will be tough for operators to navigate without tools in place to manage and streamline quality audits, financial compliance, lot traceability and more.

On top of this, MSOs that utilize a hodgepodge of systems to run their businesses may have trouble finding operational success without the end-to-end visibility that integrated business software provides. As a cannabis company moves from operating in one state to operating in many, the complexities of running a successful cannabis business multiply.

Without visibility into operations across locations, business leaders often end up relying on disconnected data found in Excel spreadsheets to make rational, informed decisions.

So, what is an MSO to do? Since federal legalization is still uncertain, it's essential that MSOs build their operations for the current industry climate but with the capabilities to pivot if and when federalization occurs.

In today's current landscape, MSOs will have facilities in various states with no ability to ship across state lines, creating a number of independently operating businesses. An industry-specific solution like an Enterprise Resource Planning (ERP) system can consolidate an MSO's finances and data across business units, creating one version of information for increased visibility and better decision making.

When U.S. cannabis federalization does occur, MSOs with a comprehensive software solution will have an advantage because they have already put the building blocks in place to capitalize on expanding national opportunities. A solid business foundation allows MSOs to quickly expand as required, ensure flexibility as the industry changes and pivot operations with the help of inherent business practices built early on.

Overcoming Common Challenges Facing MSOs

Operating across multiple states is extremely complicated, which is why only the most efficient cannabis companies can find success. To address the complexities of multi-state operations, leading MSOs turn to industry-specific ERP software to overcome challenges now and in the future.

In part one of our three-part series on challenges facing MSOs, we look at obstacles that growing cannabis companies face when trying to achieve operational efficiency across multiple units.

The Challenge: Achieving Operational Efficiency Over Multiple Business Units or Facilities

To be profitable, MSOs require some form of standardization across business units to avoid having multiple individually operating entities. While for MSOs this is complicated – since state-specific data and quality testing will vary – the opportunity to create as many operating efficiencies as possible is still attainable, especially with the help of integrated software like an ERP.

One critical efficiency that is sometimes overlooked by MSOs is the creation of a common General Ledger (GL) across all business units. Though MSOs will have separate operating companies set up across states, connecting each entity within an ERP and having a single source of information will provide the visibility and insight business leaders need to make critical decisions. For example, an MSO utilizing a program like QuickBooks to run its financials will likely have each of its two or three businesses set up as separate companies in the platform with no ability to see or share company-wide data. As a result, management may have trouble consolidating finances, figuring out inter-company transactions or transfers and getting GLs to match up.

The Solution: Multi-Company Management from a Single System

With an ERP solution that can handle multi-company and multi-facility finance and operations, MSOs can access the company-wide information they need within minutes and in real time. Unlike legacy solutions that require an IT team to spend hours pulling financial reports, a modern ERP system built for MSOs will provide business leaders with access to critical data in minutes.

ERP software with industry-specific functionality allows MSOs to consolidate and streamline operations and implement best practices across multiple business units. With more business-wide efficiency, MSOs have the ability to scale quicker, making it easier to acquire a new business because those standardized building blocks of operational efficiency are already in place. When a new business or employee is brought on, there's no need for a massive training or integration effort since processes are institutionalized and streamlined across the business.

On top of this, a creditable ERP vendor will have encapsulated industry best practices within the software, helping MSOs create even more efficiency within their operations. An industry-specific ERP solution like CannaBusiness ERP, for example, will have dashboards and audit reports set up to help track key metrics such as strain, costs and labor.

A Solution Built for MSOs

It's important to understand that not all ERP solutions are created equal. The cannabis software market is filled with systems that masquerade as full-scale ERP software but are light in functionality and lacking in depth. Seed-to-sale solutions, for example, are missing key features such as financial management, quality and more. Only true ERP software will come with the features and capabilities needed to address the complex challenges of growing MSOs.

CannaBusiness ERP is a single, unified ERP solution that includes all the costing, compliance reporting, recall management, inventory control and multi-company features MSOs need on a daily basis. It is built in Sage X3 and configured by experts who have worked with some of the industry's leading MSOs.

Unlike smaller, lighter business management solutions, CannaBusiness ERP:

1. Is Backed by Years of Industry Experience

Our team members come from the cannabis industry, which means they can better understand your business and what it takes to compete. We implement process best practices, suggest ways to make your operations run smoother and guide your team through the selection process, implementation, go live and beyond. Our implementation experts have a proven methodology that is tailored to the unique needs of MSOs that will help streamline the process, saving you time and money.

2. Can Handle the Financial Complexities of MSOs

Because CannaBusiness ERP is built in Sage X3, it comes with the platform's robust multi-company and multi-facility functionality, a differentiating feature amongst ERP solutions in the cannabis industry. These features give MSOs the ability to manage several companies in the same database and get a full picture of the health of their operations.

3. Tracks Everything

CannaBusiness ERP is a true ERP system, which means that it manages every aspect of your business, including finance and operations, seed-to-sale, compliance, quality, traceability and more. As the solution manages each department and process, it also works to collect all data associated with each process or activity, giving business leaders visibility into the entire business.



4. Accommodates Cultivators and Processors (and a Combination of the two)

CannaBusiness ERP is unique in that it offers a more flexible, personalized solution for cultivators and processors looking to implement only the features they need for their business now. However, as an MSO expands and adds a cultivation operation or purchases an edibles manufacturer, the solution can accommodate it all because purpose-built functionality is already built into the solution. On the cannabis processing side, for example, the software includes features that merge cannabis-specific requirements with food-specific ones to address challenges in cannabis edibles and infused-manufacturing. This includes production sequencing functionality and standalone harvest and waste management processes. For cultivators, CannaBusiness ERP includes comprehensive crop management functionality and stock process functionality, which accounts for inventory waste and adjustments for regulatory reporting.

With CannaBusiness ERP, there's no need to worry about integrations with standalone systems for seed-to-sale tracking or compliance because the solution comes equipped with the functionality needed to manage it all.

5. Helps Track the Metrics that Really Matter

With robust Business Intelligence (BI) functionality, CannaBusiness ERP equips business leaders with the financial and operational metrics they need for absolute control and visibility into their operations. Comprehensive dashboards allow leaders to get real-time insight into their business at a glance, without having to pull a ton of reports or enlist IT for support. That means a lot less time looking for data, leaving more time to spend evaluating what it means and taking action.

Features for Cultivators and Processors

For Cultivators

Crop management

Harvest management

Stock process functionality

Fertigation management

For Processors

Production sequencing

Waste management

End-to-end product traceability

Comprehensive recall management



Contact us at CannaBusiness ERP
and schedule a demo to learn more.

[SCHEDULE A DEMO](#)



Contact us to learn more:
844-466-8477

info@cannabusinesserp.com
cannabusinesserp.com

About CannaBusiness ERP from NexTec Group

CannaBusiness ERP is software purpose-built for cannabis companies. It is built in Sage X3 and configured by NexTec industry experts to deliver a complete cannabis business solution. Over the past 25 years, our ERP and business process experts have helped organizations across North America streamline business operations and lower costs. Recently, our specialization in developing solutions for the cannabis cultivating and processing industry has resulted in some of the most respected cannabis companies around the world managing their day-to-day operations and delivering products off our platform. CannaBusiness ERP by NexTec is the go-to answer for cannabis cultivators and processors seeking a software platform built to help you grow.