An Epicor® White Paper

Executive Guide to Building a Business Case for Next-Generation Enterprise Applications

EPICOR

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Replacement decision time

Are enterprise resource planning (ERP) systems really ever in need of a change? That question plagues most CEOs, CIOs, and CFOs as their legacy ERP systems continue to chug along. It's no light matter to replace your ERP system. By definition, the ERP system is your financial and operational backbone and reaches into all areas of your business and value chain. Replacing it would appear to be a difficult and intensive process, but done right, it can open unlimited business opportunities.

Companies decide to replace their ERP systems for a variety of reasons. At the most fundamental level, the question is whether your current system supports or constrains your ability to execute business strategies that will make your company successful and establish it as an industry leader. These systems typically automate only a single business function and not an entire, cross-functional business process; they demand manual, labor-intensive processes, such as re-keying data into separate systems. Many legacy systems are also inflexible, as they don't permit organizations to change their business processes to adapt to changing business requirements, nor do they provide visibility across the organization—let alone across the extended supply chain. And in today's connected world, many legacy systems struggle to provide the deployment and device flexibility demanded by business users.

▶ Who should consider a new ERP system? Review the following statements and see if you can answer 'yes' to any of these questions.

▶ Is your organization growing exponentially and in need of a system to keep up with your future growth expectations?

▶ Are you planning on adding new businesses by growth or acquisition?

▶ Are you subject to generally accepted accounting principles (GAAP), international financial reporting standards (IFRS), Sarbanes-Oxley, or any other national or international financial oversight?

▶ Do you need financial transparency across all of your business units or is your organization still using spreadsheets to manage its financial health?

▶ Are you using a highly customized system that does not allow the ability to upgrade to new, more efficient technology platforms?

▶ Are all your users, however infrequent, able to interact with the ERP regardless of device and without requiring weeks of up-front training?

If you have answered 'yes' to any one of the above questions, your organization may need to consider the replacement of the existing solution and integration of a next-generation enterprise financial system. The remainder of this paper outlines the fundamental considerations that you should use when evaluating vendors to determine which ERP application should be right for your current and future organizational goals and growth expectations.

Transparency and visibility through enterprise performance management

First and foremost, an enterprise needs to have a finger on the financial pulse of the company, and as the pace of business continues to accelerate, the organization must move rapidly with precision and agility, reducing reaction time and optimizing financial performance. You can't afford to miss an opportunity or delay a necessary course adjustment. That means that everyone in your enterprise who impacts the financial results must know how the business is performing on a daily basis. In a global business environment, forward thinking and planning is vital. Critical financial metrics can't be permitted to get lost in the information morass.

Many businesses are finding that it's no longer enough to respond to financial trends uncovered by complex business intelligence tools, all too often removed from the point of decision and managed and used by a limited few. Today, decisions that affect the overall performance of the business are being made top down and bottom up on a daily basis.

In response, a new breed of enterprise business application has emerged that includes operational tools that measure performance as business happens—managing workflows, and alerting people as they work. Today's information workers want decision support in real time, and they want it deployed to the devices their users already know and use, day in and day out. Enterprise performance management (EPM) solutions offer end-to-end capabilities that remove the barriers to better business insight through a combination of intuitive user experiences, user-driven key performance indicators (KPIs), and pre-packaged analytics that have real meaning to the business.

Today's enterprise-level financial systems should also come standard with embedded executive dashboards and graphical KPIs designed to give executives and line-of-business managers alike the strategic financial data required to make critical short-and long-term decisions. Strategic use of these resources allows you to manage by exception, as opposed to micromanaging the increasing number of financial variables and demands being placed on your company. Some examples of standard financial dashboards and KPIs that you should include in your evaluation of vendors include calculation of days sales outstanding (DSO) and days payable outstanding (DPO) to determine your organization's cash flow position, supplier performance metrics, sales order backlog and scheduled shipments, and so on.

Individual KPIs and combinations thereof (typically known as scorecards) bring together high-level visualization of business processes and business events, so that you can monitor your organization and carry out benchmarking or performance-based management. EPM delivers this level of business insight via a solid and highly productive foundation to make it easier than ever to raise business performance to the highest level.

Support for the global enterprise

Whether through acquisition or organic growth, more and more companies are wrestling with the complexities of managing multiple business entities and a global supply chain. The growth and globalization of a company means that enterprise financial systems are often challenged to provide full visibility across the entire enterprise. Your ERP vendor should intimately understand the intricacies of managing disparate business units across an extended organization—not just within single countries, but across borders. There are unique challenges of running an organization that operates internationally, and consolidation opportunities for tighter control and reduced operational costs, enterprise wide visibility, and inter-company supply chain management.

Firstly, sound enterprise financial management systems should be designed to automate and streamline your financial business processes, by providing the tools needed to monitor financial conditions for timely decision making. To this end, you need to ensure that the enterprise application system you are evaluating has an integrated single repository of data that offers an accurate view of all of your financial information, including a 360-degree view of your customer—from customer-specific credit information to consolidated order, invoice, and payment history. These capabilities should almost be considered a 'given'—good enterprise financial systems should always do these basic functions.

Secondly, one of the most important considerations when evaluating vendors is your corporate growth expectations. Corporate growth and expansion inevitably leads to new markets and new geographies. Ensure the vendor you are evaluating has multi-country and language management capabilities that can manage your business wherever you take it, with support for country-specific requirements.

For example, an organization that is headquartered in one country can deploy applications in the native language for that country. When a satellite office in another country needs to add users that require another language, the only difference for the user is the language. All corporate processes that the headquarters have deployed are unchanged, and no local language customizations are required at either location.

This multi-country functionality surrounds more than just the application screens appearing in the localized language. The most important piece a vendor should have a history of providing is the ability to produce a financial application that is both global in its deployment and local in its configurability.

Ensure that the financial functionality of your vendor offers configurability to meet local financial and tax regulatory requirements, yet can be deployed and managed via a master data deployment methodology. This can help to ensure that your company and disparate business site data meets local regulatory requirements, and also provides the consistency needed for real-time distributed operations, leading to greater customer satisfaction, operational efficiency, and ultimately, business performance.

Lastly, consider how cloud computing could help improve the cost-effectiveness, capacity, and reach of your business systems. Cloud computing can be used for specific point applications or

for hosting a worldwide, multi-node ERP strategy. There are two aspects to cloud computing to examine. The first is whether to use a "public" cloud, which is managed by a third party and generally uses shared hardware resources across customers. Alternatively, a "private" cloud is infrastructure purposely built for a company to host a wide range of internal systems.

Cloud computing has also given rise to subscription licensing schemes (software as a service—SaaS), which in many circumstances are a preferable way to pay for software versus traditional perpetual licenses. Most subscription offerings look remarkably like a mobile telephone agreement—a monthly fee for usage, a minimum contract term of one to three years, and a nominal fee for initial provisioning.

It is easy to conclude that cloud computing somehow mandates multi-tenancy (the use of shared hardware) and subscription licensing. The fact is that cloud, tenancy, and licensing are completely independent factors. Cloud-deployed systems can be licensed perpetually and on-premise systems can be licensed through subscriptions. Single-tenant deployments, which provide dedicated computer resources, can offer more control of the system evolution. That means the system changes when the customer is ready, rather than as the vendor sees fit.

Regardless of how the cloud is employed in an ERP strategy, it is critically important to remember that all ERP strategies and plans change over time. No decision about how to use (or not use) the cloud should cause a lock-in situation that limits the choice of functionality or non-functional requirements. Look for ERP systems that are equally at home on premise or in the cloud, perhaps both at once for multi-site deployments. Look for ERP vendors that offer systems fairly across any hosting model, with options to license perpetually or with a subscription plan.

Technology matters—scalability and extensibility through services architecture

Technology is the foundation upon which most businesses execute their objectives. At the same time, it is important that the technology doesn't overwhelm a business, but instead operates seamlessly and effectively in the background. For today's business architecture of enterprise applications, successful vendors need to provide a rich user experience, affording opportunities for greater user collaboration and productivity.

They must also offer new levels of extensibility and scalability in a technology asset that meets a company's requirements today, yet remains flexible enough to accommodate opportunities in the future. It is this combination of capabilities that constitutes modern enterprise application business architecture.

The unique nature of applications built using a service-oriented architecture (SOA) for flexible management, development and deployment through a granular, solution-assembly approach creates user and cost efficiencies. Quite simply, by using enterprise applications based on a SOA, organizations can easily add new functionality in a highly granular fashion, as they need it, and can easily reconfigure workflows with minimal integration costs or impact on their business operations. Organizations can purchase just what they need today with minimum risk. As an organization grows and expands, its ERP can grow and expand along with it. For example, a manufacturer can make its internal systems available directly to its customers' purchasing systems, allowing the two systems to function as one via the SOA. As a result, modern business architecture can transform relationships between business partners into closer, real-time relationships.

When assessing software vendors, one of the main items that you will need to consider is the state of the business architecture. Is the enterprise ERP application architecture leveraging the latest technology advances, or is the vendor selling something that was architected years ago and not updated to meet the current technological demands of today's business environment? Your organization will need to ensure that your software investments can leverage next-generation business architecture that exploits the latest technology platform.

A modern technology platform can also help simplify the support for the rapidly changing multitude of devices used within business today. Whether your business currently supports "Bring your own device" (BYOD) or not, there is no doubt that all organizations face increasing demand for flexible ways of accessing and interacting with core business solutions. Such mobility should now be considered a business imperative rather than an afterthought—integral to the business architecture, not something that is added on last.

Ensure that the software is developed for the evolving enterprise, offering maximum extensibility and accommodating changes in performance or functionality while maintaining system compatibility. With this development strategy in place, adding functionality is generally easy, inexpensive, and non-invasive. Existing systems can be enhanced and extended without local code modification, and capabilities from other systems can be invoked to extend the application. Focus on the extensibility and interoperability of the software platform, as this will yield affordability in system adoption and maintenance. Additionally, this focus enables the technology to adapt to new and emerging requirements, effectively protecting your investment.

Integrated governance, risk, and compliance (GRC)

Achieving visibility and effective controls within the enterprise can be a formidable challenge when many of the processes and procedures in place remain manual and fragmented. Is your organization getting the complete picture of its financial and security health, or does it lack the transparency needed to identify and understand risk?

With the increase in worldwide compliance regulations, the need for corporate financial visibility has become paramount for any size organization—public, private, or non-profit. Regulatory bodies and audit firms are all advocating the need for improved financial management and visibility.

Many companies today have to resort to numerous information sources to support this visibility, from legacy software programs created to help run specific departments, to other packaged applications that may have been purchased and implemented across the company over time. Combining disparate data sources and reconciling disparate departments is a huge undertaking. While departmental spreadsheets and legacy data systems may be providing an adequate solution today, as the need for centralized data and visibility increases, spreadsheets and homegrown systems will no longer be a viable solution to run a business.

Effective governance, risk, and compliance (GRC) initiatives not only help companies and their employees stay compliant, but also provide a framework for defining business processes, and the risk appetite across the entire organization. Auditors, regulatory bodies, customers, and other stakeholders have expectations regarding the protection of corporate information against piracy, fraud, and sabotage concerns. ERP systems effectively control the majority of the information that could potentially be at risk.

Make sure that the vendor which you are evaluating delivers their GRC functionality through a combination of embedded capabilities, modules, and related services. Compliance should be at the heart of the design of the software, and the vendor should make every effort to ensure that any new functionality is consistent with published international standards and best practices. These include published standards in corporate and financial governance such as international accounting standards (IAS) and their IFRS, and FASB's GAAP, while also incorporating support for international trade standards, such as restriction of the use of certain hazardous substances (RoHS) in electrical and electronic equipment, the Waste Electrical and Electronic Equipment (WEEE) directive, and the North American Free Trade Agreement (NAFTA). Helping to provide control over the processes of your organization will actually drive efficiency and effectiveness through greater insights.

True cost of an ERP solution—delivering return on investment

Like any other technology investment, purchasing the software and licensing is just one element of the overall cost.

An extended financial ERP solution manages processes across your value chain. Some of the results of this coordinated effort that can help you achieve the maximum return on investment within the shortest payback period include:

▶ Improving cash flow performance
▶ Increasing the accuracy of your costing
▶ Expanding into new products or geographies
▶ Achieving higher organic revenue growth
▶ Protecting your profit margins
▶ Reducing your inventories
▶ Shortening your product lifecycles
▶ Increasing loyalty of your customers by responding faster and more effectively

On the investment side of the equation, the ability to provide a lower total cost of ownership (TCO) solution is a result of three factors. First, is the system capable of delivering the same rich functionality as tier-one systems that are targeted for Fortune 500 companies, but with an initial investment that is a small fraction of the cost? An intense focus on the needs of mid-sized businesses and efficiency of implementation results in the same level of functionality at a lower cost. Second, lower initial TCO means lower maintenance subscription costs that alone could pay for the new system. Third, do the underlying technologies require minimal support, people, and resources to maintain—far lower than most other tier-one and even comparable tier-two systems that do not feature a modern business architecture?

Introducing Epicor next-generation enterprise applications

In response to this climate of heightened financial governance, GRC, with an emphasis on supporting your financial management initiatives, Epicor has created next-generation enterprise applications to help you achieve maximum performance across your entire enterprise—whether it operates on a local, regional, or global scale.

Epicor has long been a leader and innovator for global enterprise resource planning (ERP) solutions built entirely using a service-oriented architecture (SOA). In this approach, "services" are self-contained pieces of business logic that can be mixed and matched, are platform independent, and can be dynamically located, invoked, and used to configure and reconfigure processes, and improve integration of applications.

The result of this leadership and innovation is the Epicor next-generation enterprise software. It is the foundation upon which many businesses execute strategies and achieve objectives, one that operates seamlessly and effectively in the background, enabling highly productive enterprises. Epicor offers comprehensive capabilities in support of strategic sourcing and procurement initiatives, product lifecycle management, continuous improvement, lean manufacturing, supply chain management and logistics optimization, and enterprise performance management.

Epicor uses Epicor True SOA™ built on the Microsoft .NET Framework™ and offers a modern business architecture that melds SOA and collaborative Enterprise 2.0 concepts to give a business maximum flexibility with minimal overhead. Epicor can take your business to the next level by leveraging consumer Web concepts to deliver an agile, adaptable resource that can not only grow and change with your business, but is also designed to help you optimize your most important resources.

About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software that is designed around the needs of our manufacturing, distribution, retail, and service industry customers. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution— in the cloud or on premises. With a deep understanding of your industry, Epicor solutions spur growth while managing complexity. The result is powerful solutions that free your resources so you can grow your business. For more information, connect with Epicor or visit www.epicor.com.

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