

**EPICOR®**

Business Inspired™

An Epicor® White Paper

# Moving Beyond Transactional Efficiency

to Radically Improved  
Business Performance

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The key to continuously innovating and transforming business operations for excellent business outcomes is having an agile technology platform driving ERP to support and rapidly deploy process changes. The overall goal: to manifest radically improved business performance.

This white paper explores the vital role that technology plays in enabling business model innovation, specifically how the right toolset makes a critical difference in the value your business achieves from ERP.

Epicor provides a new approach to the way enterprise resource planning or ERP systems and business software solutions are designed, built, and used. Epicor has redefined ERP as a dynamic business platform that can inspire your company to innovate and think differently about your business, so that you can ultimately deliver inspiration to your customers. Epicor ERP can open vistas of possibility not previously imagined.

Businesses around the world are leveraging Epicor ERP to go beyond transactional efficiency to radically improve their business performance. Read on to see how Epicor customer ARPAC has done just that with Epicor ERP.

### **Delivering Excellent Business Outcomes: IT's Role and Contributions**

To achieve and sustain excellent business outcomes in the face of constant change; this is how Forrester analyst Randy Heffner characterizes one of the greatest business challenges of our time. While this requires a concerted focus on people, process and technology, Heffner argues that each organization's business is embodied in its technology, and to this end, business can change only as fast as the underlying technology used to support the business can change.<sup>1</sup>

In the past, the focus of IT has been on improving the speed, efficiency and overall cost savings around business transactions, or on process consistency and transparency to satisfy compliance and corporate governance mandates. But today's business realities have upped the ante. Technology is now commanding an ever increasing role in influencing corporate performance and is playing a significant role in improving the organizations' ability to deliver excellent business outcomes.

Gone are the days of IT in the "support" role. Today, overall IT performance is measured not in bits and bytes or help desk tickets, but by how it facilitates overall competitiveness and growth. To stay competitive in any fast-changing environment, according to industry analyst firm Gartner, CIOs must now reimagine the IT organization and the IT workforce to maintain and "amplify" IT's contribution to enterprise strategies and operations through integrated technologies, processes and information management capabilities.<sup>2</sup>

IT systems must support innovation and business transformation. To this end, businesses are capitalizing on technology to support "digital transformation"—what Capgemini Consulting calls the use of technology to radically improve performance or reach of enterprises. Successful digital transformation comes not

<sup>1</sup> Randy Heffner, Architect For The Next Digital Decade, Forrester, Inc., August 31, 2012.

<sup>2</sup> The New IT: Drivers, Challenges and Opportunities, Gartner, Inc., January 27, 2012.

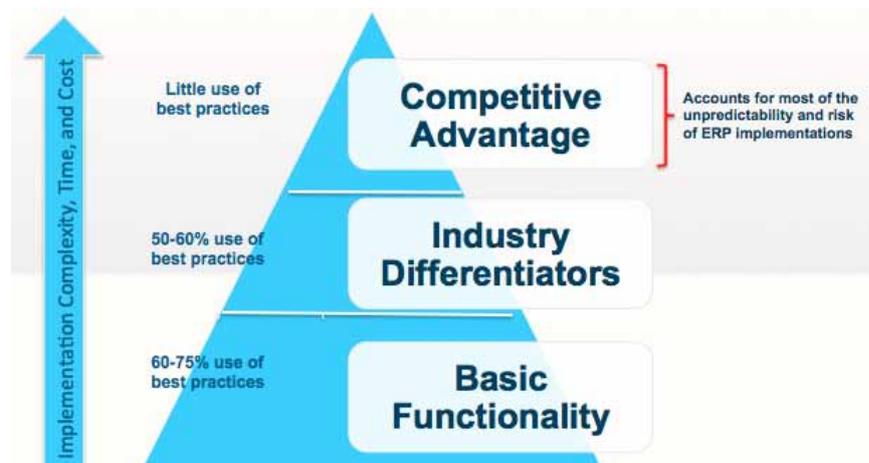
from implementing new technologies, but from transforming an organization to take advantage of the possibilities that new technologies provide. Major digital transformation initiatives are centered on re-envisioning customer experience, operational processes and business models. As a result of this digital transformation, companies are changing how functions work, redefining how functions interact, and even evolving the boundaries of the organization.<sup>3</sup>

### Besting the Business Value of ERP

ERP has moved well beyond data entry and reporting and has emerged as a real-time platform for strategic business execution. The business value of ERP goes beyond running and driving the business or improving transactional efficiency and transparency, it supports:

- The creation of new streams of revenue and business value;
- The deployment of new or refined processes with speed and agility; and
- The ability to link people, processes and product together on a global scale.

However, many companies pursuing business transformation struggle to realize the full value of their ERP investments. Panorama Consulting Group's Eric Kimberling says one reason traditional ERP implementations fail to deliver real business transformation and competitive advantage is inflexible ERP canned "best practice" off-the-shelf functionality, which he argues can yield only minimal operational improvement to operations. As a result, and as outlined in the below graphic, organizations too often end up with business processes that simply mimic or automate their old way of doing business rather than true business transformation.<sup>4</sup>



<sup>3</sup> *Digital Transformation: A Roadmap for Billion-Dollar Organizations*; MIT Center for Digital Business and Capgemini Consulting, 2011 [http://www.capgemini.com/m/en/tl/Digital\\_Transformation\\_A\\_Road-Map\\_for\\_Billion-Dollar\\_Organizations.pdf](http://www.capgemini.com/m/en/tl/Digital_Transformation_A_Road-Map_for_Billion-Dollar_Organizations.pdf)

<sup>4</sup> Eric Kimberling, *The Real Reasons Why ERP Implementations Fail to Deliver to Expectations*, Panorama Consulting Group, Sept. 5, 2012, 1:00:35 AM.

## Transformation: Key to Sustained Competitive Advantage

Business transformation is about developing new capabilities and when necessary, moving away from business models that are no longer competitive (reinvention/redesign). The capability to transform when needed—or when better business outcomes can be achieved—is essential for survival in today's dynamic and rapidly evolving economy. To enable this, organizations must align strategy decisions and business systems to drive implementation and execution to support sustained long-term, continuous transformation.

## The Epicor Architecture Advantage

The Epicor ERP platform has been architected in a unique manner, with a clear separation of the underlying business architecture from its rich business functionality. The embedded functionality drives business efficiency but tends to change incrementally whereas the underlying business architecture not only delivers agility but also tends to change at a much greater cadence. The advantage of the Epicor Business Architecture, known as the Epicor ICE Framework, is that it delivers the toolset to orchestrate the functionality. These tools, which support business agility and business transformation, enable organizations to define their unique interactions between ERP functions, users, and other systems. This approach to software architecture provides a whole new level of dynamicism that is missing today in most ERP systems.

Epicor ERP has more than 1300 business services which are connected by the Epicor ICE Framework. Each service functions as a reusable component covering every major business aspect managed by ERP (e.g., Bills of Material, Invoicing, Material, Orders). Each service is customizable and use rules engines—rather than fixed code—to control fundamental needs such as rounding, currency, legal numbering, and book structure). ERP services are managed by the Epicor ICE Framework to coordinate their interactions in accordance with business processes defined by ERP users. The ICE Framework ensures any ERP decision or action is fully controllable and that other systems can be incorporated into business processes by either invoking external applications or simply providing timely data to or from ERP.

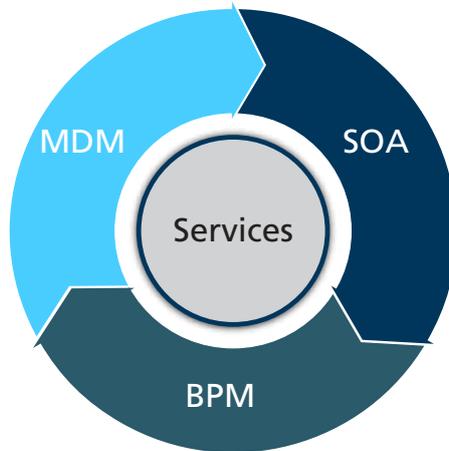
Essentially business processes are broken down into smaller functions that can be accessed and manipulated, enabling organizations to map their Epicor ERP systems to their specific business rules and processes, without changing source code. As well, businesses can share and request information with customers, suppliers and partners with ease and speed as never before, and make functionality and accessible via a full range of devices, such as such as mobile phones, tablets, and laptops.

This assembly of reusable software and data services to support integrated, end-to-end business processes and workflows aligns with Gartner analyst recommendations for new and emerging application development best practices. In the research note titled, "Why You Should Coordinate Your MDM, SOA, and BPM Initiatives,"<sup>5</sup> Gartner analysts identify three disciplines driving application development in the

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<sup>5</sup> Mike Blechar and Ross Altman, Why You Should Coordinate Your MDM, SOA and BPM Initiatives, Gartner, Inc., May 27, 2011.

modern day organization. These include Business Process Management (BPM), Master Data Management (MDM), and Service-Oriented Architecture (SOA)/Service-Oriented Development of Applications (SODA).



**Three Disciplines Driving Application Development**

**BPM** – Business Architecture

**MDM** – Data Architecture

**SOA/SODA** – Technology and Application Architecture

- Business Process Management is essentially the business architecture. It encompasses any activities an organization does to support its process efforts governing its operational activities.
- Master Data Management encompasses the processes, governance, policies, standards and tools used to consistently define and manage the master data of an organization. It provides data synchronization between companies and ERP systems.
- Service-Oriented Architecture (SOA), and more specifically Service-Oriented Development of Applications (SODA), encompasses the development of applications that are built by combining loosely coupled and interoperable services.

It is the CIO or enterprise architect’s role to address how their organization’s application development efforts will support all three of these disciplines. A shared services model ensures all disciplines are supported in an efficient and cost effective manner. If you do not have shared service design paradigms, says Gartner, then you are likely to create solutions which maintain multiple, discrete application, data and process silos which become barriers to business agility and increase IT costs. To this end, Gartner says “future” solution architectures revolve around service-oriented business process redesign to drive the development of new software and data services.

The Epicor ICE Framework delivers this “future” solution, today, facilitating the tailoring, sharing, and reusing of services, to support new levels of flexibility, usability, and agility in support of application-to-application integration and business-to-business collaboration, key to enabling the delivery of information throughout the enterprise and implementing and deriving the maximum business value from ERP. Organizations can now shape their ERP functionality to effect new and emerging ways of doing business that are completely unique, without bringing IT complexity, cost and risk into the equation.

As a testament to the unique value proposition behind the architecture of the Epicor ERP solution, Gartner Inc. positioned Epicor in the “Visionaries” quadrant of the Magic Quadrant (MQ) for Single-Instance ERP Product-Centric Midmarket Companies based on evaluation of the next-generation Epicor ERP solution in June

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Ryan King

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2012. According to Gartner, “SOA and model-driven architecture prove their value in packaged applications for the midmarket. Systems with a more model-driven architecture (for instance, Epicor ERP) offer more configuration capabilities that allow users to adapt the system to their specific, differentiating needs.”<sup>6</sup>

Today, thousands of customers representing more than 150 countries around the globe have selected Epicor ERP—and are putting the power of the next-generation platform to work to support business innovation, process improvements and a truly integrated view of the business and value chain. One of those customers is Schiller Park, Ill.-based ARPAC.

### **Panning for Process Gold: ARPAC**

ARPAC is a packaging machinery manufacturing and service organization with more than 100 years of combined manufacturing experience; the company is recognized around the world for being the first to invent the shrink bundler and spiral stretch wrappers.

ARPAC set out to bring in a new ERP system. “At the time, we were looking for a good solid software package that would help us eliminate information silos,” said Ryan King, director of IT for ARPAC. “We never dreamed in a million years that we’d get tools that would be game changers.”

King and his team led a company-wide initiative to leverage its Epicor ERP solution to help adopt what ARPAC calls Lean Automated Processes (LAP). The objectives for ARPAC’s LAP are to use information technology to maximize the ease of doing business and decrease the cost to do business. The focus is on removing processes that are non-value added and drive visibility of growth and profit margins down to every employee.

And the company’s commitment to this effort can be seen—literally— throughout the facility. King and his team developed a system that pulls budgeted hours for a process, such as welding or painting a machine, out of the ERP system and compares that to actual hours spent on the process. Results are displayed on board right next to the operator, which are updated every five minutes. When actual exceeds budgeted, the screen goes red. An operator can visually see when he or she has exceeded the hours; this allows every employee to have an understanding and ownership stake on how their actions contribute to the bottom line.

“We’re not out to break even, we’re out to make our margins better,” says King. “Everything an employee touches is either value-added or non-value-added; ‘red’ means that our gross profit is being eaten away.”

Epicor provides ARPAC with best practices for lean methodologies on the shop floor. ARPAC estimates that Epicor’s kanban system has saved the company 15 hours a week in terms of work hours, which amounts to a savings of approximately \$225 per week or \$11,700 per year. Take barcode scanning, for example. With barcode scanning, jobs are created and manufactured faster and easier, and without paperwork. Electronic purchase orders are automatically created on the shop floor by simply scanning the part barcode. The system can also trigger a late email notification that is automatically sent to suppliers if an order is behind schedule.

<sup>6</sup> Christian Hestermann, Chris Pang and Nigel Montgomery, Magic Quadrant for Single-Instance ERP for Product-Centric Midmarket Companies, Gartner Inc. by, June 27, 2012.

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“It used to take more time to do the paperwork than to create the part. Now it is instant,” says King.

Another program designed using the LAP concept is the “ARPAC Vendor Inventory System” (AVIS). ARPAC was spending large amounts of administrative time and resources tracking and re-ordering stocked parts. The AVIS alerts suppliers to replenish their stock; as soon as inventory levels drop, an email alert is automatically sent to suppliers who then log into the AVIS portal to determine what part needs to be reordered. The online workbench provides the purchase order number indicating the part type, quantity, and agreed price for the product or service.

Once the order is submitted, a packing slip with a barcode is automatically generated so when ARPAC receives the shipment the paperwork is already completed. ARPAC simply scans the barcode upon receiving the package and avoids manually entering the purchase order information into the system. AVIS supports streamlined supplier management without having to waste valuable staff time interacting with a purchasing agent, and parts and services are provided in a more timely manner. AVIS ensures ARPAC never runs out of spare parts, and always has good inventory on its shelves, which is a huge customer service advantage.

ARPAC also created an online program for Purchase Order Confirmations. Previously, ARPAC experienced huge accounts payable problems matching purchase order prices to invoices, and faced price list issues. On average, ARPAC spent three hours a day on each buyer chasing down suppliers to confirm purchase orders. ARPAC created the POC program, another online portal for suppliers to access, for confirming purchase orders, printing packing slips, processing back orders, and submitting invoices. Since this is all done online, ARPAC was able to reduce its purchasing head count by two. Further, through Epicor’s credit card transaction module, ARPAC set up electronic processes for handling credit card payments. ARPAC realized a return on investment within the first six months. By eliminating the need to process credit cards by hand, ARPAC is saving approximately \$14,600 a year.

The Lean Automated Processes initiative at ARPAC has focused on 27 processes to date with one commonality: all offered tremendous return on investment opportunities to remove waste and reallocating employees’ time and energy to other more value added activities.

“IT is having a significant impact on ARPAC’s business. I can say: I am a revenue source,” said King. “Our lean methodology truly does extend from the shop floor to the top floor. At ARPAC, a stretch wrapper can be produced in three days. However it used to take longer than this to process all the paper work, and we were either losing money or maybe making only a few points. With the Epicor system we were able to dissect processes and lean Kaizen events. We took it all apart and put it back together again, and now our margins on this same product are over 20 percent.”

Another reengineered process involved the reconciling and recording of cash receipts; the new process saves an Accounts Receivable clerk 25 minutes every morning.

“That’s 25 minutes that they can use to make collections calls,” said King. “If they are able to collect \$6,000 in that time, that’s significant value add to ARPAC.”

His next target: integration of engineering department drawings. King estimates that he can eliminate non value added processes to shave off 30 minutes a day for each engineer. Given ARPAC’s 21 engineers on staff, that equates to approximately 10 hours a day. “I’ve just gained time that amounts to adding one more engineer—time that can be applied to new R&D work or to getting a job out the door faster.

What company wouldn't love to have 10 extra hours of R&D a week? That's 520 hours a year in 'free' R&D. Days gained are a game changer," he said.

"And the best thing is I know I can do that, because we've been able to effect similar change before in other areas, because I have the correct software tools of play." Speaking on the ease of use of the Epicor system, King says, "You can hire a programmer to create a simple process by using the pre-built toolset. Service Connect interacts with the business logic, and you can teach anyone to use it. That's the beauty of it: You're able to use the system after only three days."

## Conclusion

In the past, a large part of IT's role was to "mind the gap" between yesterday's business applications and tomorrow's business needs. A great deal of time and energy was devoted to deploying and managing the various resources that were thrown at overcoming the limitations and/or extending the functionality of legacy systems. Today, companies can ill afford this approach given the über fast pace of business. Indeed, the organization that hesitates has lost opportunities.

With Epicor ERP, businesses are moving well beyond transactional efficiency, to radically improved, game-changing business performance, through adoption of an agile application development paradigm. Imagine an enterprise application framework that is built to change with your business. Imagine architecting new business processes on demand. Imagine incorporating new ways of working and new partners or suppliers in a near instantaneous fashion. The unique Epicor approach to developing business software solutions designed and built for the way people work today, is enabling customers to increase efficiencies, improve performance and build lasting competitive advantage. Epicor ERP empowers businesses to maximize productivity, resulting in truly inspired organizations that think differently and deliver inspiration to their customers.

If your ERP system isn't architected to play a leading role in supporting business transformation for your organization, maybe we should talk.

## About Epicor

Epicor Software Corporation is a global leader delivering business software solutions to the manufacturing, distribution, retail, and services industries. With more than 40 years of experience, Epicor has more than 20,000 customers in over 150 countries. Epicor solutions enable companies to drive increased efficiency and improve profitability. With a history of innovation, industry expertise, and passion for excellence, Epicor inspires customers to build lasting competitive advantage. Epicor provides the single point of accountability that local, regional, and global businesses demand. For more information, visit [www.epicor.com](http://www.epicor.com).

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Contact us for more information on Epicor Products and Services

 +1.800.999.6995  [info@epicor.com](mailto:info@epicor.com)  [www.epicor.com](http://www.epicor.com)

#### Worldwide Headquarters

San Francisco Bay Area  
4120 Dublin Boulevard, Suite 300  
Dublin, CA 94568 USA  
Toll Free: +1.888.448.2636  
Direct: +1.925.361.9900  
Fax: +1.925.361.9999

#### Latin America and Caribbean

Blvd. Antonio L. Rodriguez #1882 Int. 104  
Plaza Central, Col. Santa Maria  
Monterrey, Nuevo Leon, CP 64650  
Mexico  
Phone: +52.81.1551.7100  
Fax: +52.81.1551.7117

#### Europe, Middle East and Africa

No. 1 The Arena  
Downshire Way  
Bracknell, Berkshire RG12 1PU  
United Kingdom  
Phone: +44.1344.468468  
Fax: +44.1344.468010

#### Asia

238A Thomson Road #23-06  
Novena Square Tower A  
Singapore 307684  
Singapore  
Phone: +65.6333.8121  
Fax: +65.6333.8131

#### Australia and New Zealand

Level 34  
101 Miller Street  
North Sydney NSW 2060  
Australia  
Phone: +61.2.9927.6200  
Fax: +61.2.9927.6298

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