THE CHANGING FACE OF ERP

ERP is changing. What is the past, present and future of ERP. How will new ERP change the way you run your business?

First of all: What is ERP?

ERP is an abbreviation for Enterprise Resource Planning. Basically, we talk about an integrated IT-system which translates business management practices, so to speak the core business processes of a corporate house, to modern technology and vice versa. The purpose of an ERP is to help an organization support its core business processes and do so with more automation and fewer resources. In fact, most organizations have justified their ERP investments on higher efficiency and productivity – often meaning fewer people in the back office and less stock in the production or distribution supply chains. Technology-speaking, we deal with a more or less complex software architecture that supports the connection of enterprise wide information across all functional units of a company. From the executive point of view, an ERP provides a comprehensive overview to enable productive and efficient decision-making – in fact, in an independent survey of over 700 Executives, ‘improved decision making’ was the number one benefit claimed for their ERP systems*.

So – how has ERP-technology developed up to this point?

In order to understand the current construct of an ERP-system you need to go back to the 1960’s. In those early times, the first versions of IT-systems were designed to help the control and management of traditional inventory concepts. In the 1970’s the focus of modern business management shifted towards better planning through MRP (Material Requirement Planning) as the fundamental concept used in production management and control. IT-systems were used to translate the master production schedule into requirements for every element of the production process - sub assemblies, components and other raw materials and time-phase the delivery of production and new purchases to meet the customer order delivery date.

The 1980’s enlarged the MRP-concept still further (it became known as ‘MRPll’) and involved optimizing the entire business process capturing areas like Finance, Costing, Human Resources, Engineering, Project Management etc. and gave birth to what we today know as an integrated ERP.

The 1990’s were times of consolidation for the software industry and key players SAP, Oracle, Infor and Microsoft continued to build out their products and acquire smaller vendors who were unable to gain global scale.

* [Source: IDC Manufacturing Insights, June 2010].
What’s next for ERP?

Once viewed as perhaps a necessary evil, a transactional and often complex and costly tool, new technology is enabling a more operational ERP – more personal and flexible, with the emphasis on connectivity and visibility. This is changing the ERP landscape which in turn is changing the perceptions of the traditional ERP and its value to the business.

Firstly, from a user perspective the expectations of how ERP systems should look and behave is being re-set by the technology advances in desktop applications, tablets (like Apple I-Pad) and smart-phones. Users want easy access to information from multiple sources and they want to be able to arrange the information to be unique to them in their job functions. So the Finance Controller will have different screen layouts to the Production Controller.

Secondly, the old paradigm of a single integrated database for all your data needs is gone forever. These days, the information you need to make decisions is frequently not in your own company.

Buyers will access information from their suppliers systems so they can speed communications between them. Engineers will want access to specialist quality systems for test results and Product Lifecycle Management systems to quickly develop new products. Sales want to combine the market insight they have from their Customer Relationship Management (CRM) system with the order promising capability of their ERP. So ERP needs to be much more ‘open’ in its design allowing the easy connection of different systems and allowing information to flow from many sources to the user – just like it does when you use the internet to browse on Amazon for shopping.

Finally, ERP is now becoming a ‘must have’ for any business over a certain size. Businesses have become second or third generation ERP buyers and are more aware of what is possible with ERP and no longer accept generic ERP systems in a ‘one-size fits all’ approach. This one-size design may suit the software companies – build once, sell many times globally – but it does not offer the value needed for its customers. There is nothing in common with the business processes between a company that makes sausages and one that builds jet engines. So why would anyone expect they would be serviced by the same ERP system – no matter how good its design? Flexible, scalable ERP systems tailored to an industry will enable manufacturers to leverage their unique processes and focus their business on sector growth.

Why do organizations typically look to invest in an ERP solution? What problems or processes are they looking to solve or improve?

There have been many studies on the value of ERP. The results are consistent – organizations with best practice ERP outpace those who have not invested in such systems on all the metrics that matter – margin growth, customer service, inventory accuracy, productivity, cash-to-cash cycle time, etc. The IDC report referred to earlier showed ‘better decision making as the #1 benefit’. The next highest ranked benefits were profitability, cost reduction and inventory optimization.
However, there is also another change coming in the benefits of ERP. Once it was all about back-office efficiency improvements and the questions asked of systems were ‘how fast can I process this order?’, ‘how many days after month end can I close the books’. Such efficiencies helped organizations automate processes, trim people, grow revenues without expanding resources and improve margins. But many of these efficiencies have now been gained. What ERP users look for now is to make better quality decisions, faster – at the moment they need to make them. So when taking that order from the customer – to know instantly what warehouse it will be shipped from, how it will get there, what it will cost, when it will arrive, what the customers payment record is like, does he owe you money, are there any special promotions? These sorts of vital questions help you make more profitable decisions and require greater computing intensity around business analytics and optimization of many variables – perfect for a technology-based solution.

What have been the most important recent trends or developments in the ERP space? What new products / functionality / research news have been big for ERP recently?

Ralph Rio from ARC Advisory Group says: “With the success of search, social networking, and smart phones, the expectations for an intuitive user interface have changed dramatically.” Traditional ERP systems have not been intuitive, they are difficult to integrate, they are inflexible, and they don’t provide the level of real-time visibility need to pro-actively respond to changes within business. It doesn’t matter how powerful your applications may be under the hood—if you hate the way they look and feel, you’re going to hate every mouse click of every workday. Infor is bringing a consumer-grade user experience and usability to enterprise software with Infor Workspace.

One of the hottest technology discussions today is about ‘the cloud’. Infor Cloud applications have experienced rapid growth over the last year and now has over 500,000 users and 800 customers. We took a different approach in the market to provide options for our customers to run the same robust software either on-premise or in the cloud – this is better for our customers than having different applications for Cloud and non-Cloud which makes it harder for users to swap between these.

Up to now, Cloud applications have favoured non-mission critical, non-real time processes such as financials, HR, talent management, sales force automation – these all seemed like worthy candidates for the cloud. But what about the core industry processes? There has been
some market reluctance to running an ERP system, EAM system or SCM system as a cloud application. Companies were afraid the cloud isn’t robust enough, trustworthy enough, or capable enough to handle the applications that they rely on every day. However, this is changing. We’re ready to deliver a seamless, unified user experience with security across on-premises and cloud applications and for smaller, growing companies we are finding that organizations like the speed of deployment and lower start-up costs of a cloud based ERP solution.

**What costs are involved in implementing a new ERP project? Are these usually paid up front or in a pay-as-you-go approach? How can companies calculate a project’s ROI?**

Enterprise applications have been stigmatized by the perception of being complex and expensive to deploy and being difficult to maintain and upgrade. Time is money – in business nowadays, the only interest is to hurry to get applications up and running. Infor has a good track record in deploying its solutions rapidly for its customers. It does this in a number of ways.

Firstly – Infor does not believe in the one-size-fits-all approach to ERP. Infor builds and maintains a range of ERP applications that are designed for the industries they serve and are sized for the complexity of the business. So the ERP for the sausage manufacturer is different to the ERP for the jet engine manufacturer. Like a tailor-made suit – this means it fits with little or no adjustment (or ‘customizations’ in a technology world) and this makes it easier and faster to deploy, less expensive and easier to upgrade.

Secondly, with over 70,000 customers globally, Infor has developed industry templates that pre-configure the solutions to specific conditions. We also offer “business” and “express” versions – so customers can get up and running quickly with lighter versions, then switch to more functionality later when they need it.

Finally, as mentioned earlier, Infor offers on-premise and cloud based versions of many of its products which means customers can get up and running immediately – all you pay for is a monthly charge for access to the software.

In terms of costs – the costs vary according to the size, complexity and type of deployment for ERP. On-premise ERP applications are licensed up front for your use of the software. Price per performance falls the more software capabilities are licensed. Implementation is scoped per customer and paid as used. There is an annual maintenance fee that provides support and access to all future upgrades of the software. Implementations typically take 6-9 months from beginning to end.

Infor helps customers understand the components of their return on investment (ROI) – in fact this is part of the scoping process. The customer needs to know this to justify their investment and Infor consultants need to know it so that they can focus the implementation in the right places to improve the business processes that will deliver the ROI needed.

**Can you tell us about Infor?**

Infor is the third largest application provider in the market. Over the first ten years, Infor has grown to over 8,000 employees, 2,300 developers and 1,300 support representatives operating in 120 offices in 36 countries. We have parallel, distributed development and support centers around the world. Infor has maintained innovation Centers of Excellence to retain product and industry expertise.

You may have seen the recent announcement that Infor is adding 400 developers to our organization to gain even more momentum from an innovation perspective. Our immediate goal and long term strategy is to dramatically accelerate product innovation. We will invest heavily in products and you will see more frequent and richer releases.
What ERP-related services or products do you provide? To which clients? What stands out about your own ERP offering?

We have assembled a set of applications that have solved problems for specific industries and put them together in a solution footprint with an integration platform that loosely connects these products so that you can upgrade individual solutions on your own timeline. The user experience that Infor provides is consistent, consumer grade while providing context sensitive business intelligence.

Over 5,000 automotive companies, more than 4,500 machinery manufacturers, 3,500 process manufacturers, and more than 9,000 distributors worldwide run on Infor because we see industry-specific applications as the core and financials are the ‘edge’ of an ERP-system. It is our industry expertise that makes us different and we’re leveraging that expertise to deliver enterprise-wide industry solutions that address the challenges of the changing complexity facing today’s manufacturing and distribution companies.

Infor ERP SyteLine for example provides the foundation to improve business efficiency, customer service, and overall manufacturing productivity for a broad range of industries, including metal fabrication, industrial equipment and machinery, and high-tech and electronics. It delivers the complete package, with tight integration to tools for sales and customer relationships, production, supply chain, product data, inventory, accounting and financials, human resources and many more. Developed by experts in discrete manufacturing, Infor ERP SyteLine has more than 25 years of experience built in.

Another ERP product that has more than 25 years of manufacturing know-how built in and is helping run more than 5,000 companies worldwide is Infor ERP LN (formally known as Baan). Infor ERP LN is proven across a wide range of engineering-based industries, including automotive, industrial equipment and machinery, high-tech and electronics and aerospace and defense. The latest release of Infor ERP LN introduces new technologies that are easier to use on the frontend, with faster, smarter connections on the back end, including Infor Workspace and Infor ION.

Selecting a business application isn’t just a project, but rather the start of a long term partnership. Infor is a reliable, proactive, and responsive partner that's easy to do business with. We have the scale of a large applications company but the accessibility and openness of a small one.

What is your latest company news? Any new or upcoming ERP-related products, projects or clients to tell us about? Any other recent new or upcoming jobs, services or partner news?

Infor has hired 400 additional software engineers and will ship approximately 60 percent more products and enhancements as compared to last year. In addition, the company plans to reduce the need for customizations, take responsibility for more localizations, and make reports and user extensions easier to upgrade.

Infor Workspace, a new consumer grade user interface, is designed to revolutionize the experience of doing business using enterprise applications. Built on Microsoft SharePoint and significant R&D investment, Infor Workspace delivers the next generation user experience by blending a common user interface, in-context collaboration and business intelligence. The role-based user experience allows users to access business functions with proactive, real-time decision making using a common look-and-feel. Infor Workspace is currently available for Infor ERP LN, Infor ERP SyteLine, Infor EAM, Infor FMS SunSystems, and Infor Expense Management, and is expected to be rolled out as the standard interface for additional browser-based Infor applications over time.
In April, we announced the next generation financial management solution. Infor FMS SunSystems Enterprise features superior usability, greater reporting capabilities and smart integration to additional application products. FMS SunSystems Enterprise provides a single solution to help financial managers access information quickly, manage internal change to their business, remain compliant with multiple and changing regulatory environments, and grow globally in any market.

How do you see the ERP space developing in the next 12-18 months? What new products / services / trends are coming down the line? Why are these important?

We feel that the Enterprise Application market requires disruptive, game changing new technologies to address the important questions: Why can’t a consumer grade UI be found in the work place? Why doesn’t my ERP run on devices that I use at home or on the road? Why is it so difficult to integrate applications? Why can’t the system answer the questions for my industry? Why does it take so long to enact business change? Why should I change my business to suit the software – shouldn’t it be the other way around?

Our goal is to challenge conventional ERP thinking and radically improve how to deploy, use, and upgrade enterprise applications. Forrester noted in a recent report that “integration challenges are the foremost obstacle to recognizing the full value from a packaged ERP solution.” We have that next generation solution. Infor has responded to the market with next generation innovations that include a consumer-grade user experience and an integration framework that simply allows applications to work together. We’re thinking differently and delivering game-changing innovation today, with flexible deployment options to meet our customers’ requirements today and in the future.

To start thinking differently about ERP and to find out more about Infor and the solutions discussed here visit www.Thinkyouknowerp.com