

An Exact Software White Paper



What is your ERP solution NOT doing
for your organization?

Exact Software
www.exactamerica.com
1.800.468.0834 Ext. 2650

Exact
software®

What is your ERP solution NOT doing for your organization?

Through market consolidation and continued development in the late 1990s and early 2000s, ERP continued to evolve and add functionality that addressed the needs of more and more of the organization.

Most organizations have already implemented Enterprise Resource Planning (ERP) to streamline manufacturing, distribution, and financial processes. However, existing ERP technology has left them frustrated in their efforts to extend the same level of efficiency throughout the entire organization. Valuable information about customers, employees, vendor relationships, and more is typically locked within silos—from individual databases to file cabinets to employees' desktops. Moreover, traditional ERP systems don't encompass interactions with outside parties such as customers, suppliers, and business partners. While ERP does a fine job of tracking manufacturing, distribution and accounting processes, businesses need to understand the context behind these transactions to truly maximize efficiency and effectiveness.

Having implemented their ERP software three to five years ago or more, many organizations are currently evaluating upgrades with the belief that the latest version and functionality will enable them to drive further improvements to performance. In reality, rather than upgrading their existing packages, these businesses stand to benefit most from asking what parts of their company operations their ERP system isn't currently tracking and what they can do to better manage these areas. Fortunately, a new breed of business management solutions have emerged that unify all of an organization's people, processes, and information, enabling them to overcome the shortcomings of traditional ERP systems and truly maximize efficiency and effectiveness throughout the organization.

Executive Overview

ERP was developed with a vision of integrating all of the data and processes of a manufacturing/distribution organization into one, unified system. It came about from the evolution of Manufacturing Resource Planning (MRP-II) that followed the development of Material Requirements Planning (MRP). By combining the data of what were traditionally disparate parts of the firm, organizations no longer had to struggle to synchronize information across multiple systems.

ERP initially caused a reduction in the software applications that ran on the operational side of an organization (financials, manufacturing, distribution, warehousing), but such functionality only addressed the needs of a limited portion of the enterprise (15 to 25-percent of total employees). This limited penetration hardly qualified early ERP systems to be full "enterprise" applications. Through market consolidation and continued development in the late 1990s and early 2000s, ERP continued to evolve and add functionality that addressed the needs of more and more of the organization. Many organizations still think of ERP as a "back-office" system that requires them to operate database silos that house information that first generation ERP systems did not address (HRM, CRM, and document management for example).

What is your ERP solution NOT doing for your organization?

Mounting competitive pressures necessitate that organizations achieve greater visibility and cooperation across the entire enterprise.

With a large number of first-generation ERP systems still operating today, organizations are not realizing the full capabilities and advantages that today's ERP systems can deliver. This paper will address what first-generation ERP systems are not doing for organizations and how recent developments can help deliver greater efficiencies that have substantial benefits and return on investment for their businesses.

What is ERP not doing?

ERP integrates a range of back-office functions, such as materials planning, manufacturing, distribution, shipping, and accounting, to help optimize performance within those areas. Originally, ERP systems were designed to bring automation that improved manufacturing processes. This included tracking issues such as raw materials, work-in-process, inventory, order entry, and cost accounting. However, these traditional systems are missing a tremendous opportunity for improvement by leaving front-office activities such as sales, marketing, documentation, and support out of the equation. Moreover, interactions with external partners and vendors are not managed within ERP systems.

Mounting competitive pressures necessitate that organizations achieve greater visibility and cooperation across the entire enterprise. Otherwise, they are lacking in their ability to manage people, workflow, and supply chain issues to maximize efficiency in providing full service to their customers. Typically, those using ERP systems had little knowledge of sales and service interactions beyond the order transaction and shipment. Likewise, sales and support teams could only tap into ERP systems to see order status, inventory levels, accounting issues, and the like, but they were not supported in their need for customer requirements, contact management, complex sale process, and knowledge management.

Today, savvy business leaders recognize the pressing need for real-time views across front and back-office operations so they can gauge and continually improve the health of their business as a whole. They are faced with increased pressure to monitor key drivers of internal performance, yet they are also tasked with accomplishing more with fewer resources.

Another important challenge with traditional ERP systems is the lack of integration between real workflow processes and associated documentation. Surprisingly, most employees still rely on email for their "to do" list. However, this means important information and supporting materials are often hidden on individuals' desktops instead of being shared as knowledge across internal teams and throughout the organization. Businesses need a way to tie everything together to eliminate these informal communication traps; they need to integrate information assets, track interactions, and share knowledge and documentation internally as well as with key customers, partners, and vendors.

What is your ERP solution NOT doing for your organization?

By seamlessly integrating every facet of the value chain, organizations not only have a record of what is happening within the business, but the added context to understand the implications of these interactions—greatly enhancing decision-making.

The lack of broader systems can also have a negative impact on accountability practices. This issue has become even more pressing as businesses face more stringent federal regulations or industrial certifications such as ISO that require a considerable level of traceability. Companies across a range of industries – from pharmaceutical to financial markets – need a framework to ensure compliance with relevant regulations.

An enterprise-wide solution

Progressive-minded businesses are moving away from this dated model toward comprehensive business management solutions that facilitate the free flow of people, process, and information. Today's enterprise-wide systems connect ERP systems with customer relationship management (CRM), human resources management (HRM), document/knowledge management, financial, and workflow management systems. By seamlessly integrating every facet of the value chain, organizations not only have a record of what is happening within the business, but the added context to understand the implications of these interactions—greatly enhancing decision-making.

Most importantly, an enterprise-wide system shows the inter-relationship among various facets of the business. For example, a sales rep would now have insight into the billing status of an account before visiting that customer, a marketing manager would be able to see what excess inventory is still available before choosing which product to promote in a direct mail campaign, and a shop floor manager could see which products are costing the most to produce. These open processes foster greater collaboration both inside and outside the organization, leading to improved performance and increased profitability.

In addition, by bringing together multiple disciplines and knowledge bases, organizations can identify the direct and indirect influences upon their operations. For example, customers are empowered to access their account information and easily place orders, greatly enhancing their relationship and satisfaction with the business, while suppliers can interact with the organization more readily by being able to check inventory on hand.

This type of all encompassing system has proven beneficial for strengthening an organization's ability to capture and retain its intellectual capital while controlling access to sensitive information. Instead of information sitting in a file cabinet, on an individual's laptop or even in their personal Rolodex, access is controlled via rules- and role-based guidelines. This opens up lines of communication with outside partners, suppliers, and customers while providing greater controls over, and visibility into, who has access to what information.

Another often overlooked area of importance to achieving maximum efficiency is proper workflow. Correctly designed, workflow systems can unify people, processes, and knowledge in the most economical and appropriate manner. Workflow does not depend on a crude "send only" model such as email, but on a process-centric view

What is your ERP solution NOT doing for your organization?

ERP is now becoming a business management solution for all enterprises.

where the system ensures that all assigned tasks are completed or elevated to the next level if the appropriate resolution has not been attained. Certain actions can trigger events, resulting in a chain of activities across the enterprise so that nothing falls through the cracks and proper authorities are notified of any potential issues in the production chain before they become a larger problem.

Benefits of an enterprise-wide solution

By providing visibility across the front-office and back-office within the context of ERP, organizations are able to quickly uncover hidden costs, inefficiencies, and redundancies. What if, for example, the business could access an accurate, up-to-the-moment view of its personnel, finance, workflow, documents, and asset information? This would give all members of the value chain meaningful data for making smarter decisions. The enterprise-wide solution could encompass any number of applications previously isolated from view—from CRM to HRM to document and project management. Moreover, it could incorporate key functions such as workflows to increase operational efficiency.

But simply sharing information internally may not be enough. Many organizations are extending this collaborative model, providing staff, customers, suppliers, business partners, and investors access to a single database of knowledge. The benefits of this are numerous.

- It reduces the cost of data capture, management, and maintenance. Data of all kinds, including purchase orders, delivery notes, etc could be stored and classified electronically, connecting both transactions and participants in a single location.
- It immediately speeds the retrieval and audit processes across the organization and organizes the documents needed to address financial, industry, or quality certifications.
- By optimizing process flows, the number of actions required to process a transaction is significantly reduced.
- By allowing interactive planning, the organization gains a complete picture of current activities and investment effects in addition to the typical data of orders and margins. Thus it is not only possible to control the company on the basis of the traditional profit and loss accounting, but also to identify and measure the return on investment on complex process investments such as marketing-through-sales close and multi-department customer service.

Branching out beyond manufacturing and distribution

Today's ERP applications are no longer just for manufacturing or distribution organizations. All organizations need to track the costs of doing business and see how they are matching up against their goals and forecasts. ERP is now becoming a business management

What is your ERP solution NOT doing for your organization?

With a wealth of information at the ready, it makes sense to find better ways to analyze and respond to this data, transforming it into actionable information that impacts decision-making and performance.

solution for all enterprises. Some advanced ERP solutions allow for establishing and tracking project, grant, or retainer-based billing and revenue, so they are a perfect fit for today's professional services, research, or venture backed businesses.

Most service organizations face significant challenges related to accurately and efficiently capturing time and expenses, managing work-in-progress, generating and approving invoices, or reporting on project and client status. ERP has traditionally handled such tasks for manufacturers but has only recently branched out into solving such tasks for services-based firms.

Complementary applications

With a wealth of information at the ready, it makes sense to find better ways to analyze and respond to this data, transforming it into actionable information that impacts decision-making and performance. To that end, many organizations integrate business analytics and exception management applications into their enterprise-wide ERP systems. Business analytics is not just a modernized reporting mechanism; it also affords managers a way to identify and take advantage of trends. It offers the power to quickly and easily build information views while dynamically combining and comparing data from multiple sources or different business functions. Business analytics applications are attractive because they give busy professionals a way to quickly interpret business metrics and key performance indicators.

Through business analytics, users can also access vital business information with greater consistency, perform in-depth analysis, and share the results throughout the organization. They may choose to create personalized information views that are distributed based on a pre-defined schedule, or produce ad-hoc reports as needed.

Of additional value are applications that allow the user to define specific events, or exception events, that need monitoring. This would be useful in the case where you want to automatically trigger certain steps or actions in response to a data or transaction condition – for example, initiating a specified workflow within the system when inventory levels fall below a set level, sending an email or pager message to management, or generating a report. This is an ideal way to initiate early awareness and detection of problems (such as a customer whose purchasing has fallen off in the past three months, or a customer who went over their credit limit) and then obtain the proper resolution before they become serious issues.

Summary

ERP systems that are extended with integrated front-office systems have matured to the point where they are finally beginning to deliver on the promises of the past—extending efficiencies across the entire organization instead of merely to discrete

What is your ERP solution NOT doing for your organization?

Through greater centralization of critical business information for real-time decision making, companies put themselves in a better position to boost profitability and reduce operational costs, increase accuracy and timeliness of cost allocations, and ultimately maximize financial decisions that shape the future of the company.

areas or departments. This continued growth and evolution of the technology is particularly beneficial to small and mid-sized businesses, which are under intense pressure to operate in a much leaner mode than their counterparts at larger organizations. Through greater centralization of critical business information for real-time decision making, companies put themselves in a better position to boost profitability and reduce operational costs, increase accuracy and timeliness of cost allocations, and ultimately maximize financial decisions that shape the future of the company. With this cohesive framework in place for sharing information and managing processes across front and back-office applications, organizations are well positioned to not only improve productivity, but also comply with regulatory or industry-specific regulations.

Business complexities have evolved over time, and it is now more important than ever to have a more customer-centric organization. Organizations are striving to implement stringent, yet flexible processes and communications systems that extend globally and respond instantaneously. An enterprise is able to deliver measurable results by making sure that their processes and systems are integrated and monitored.

The original goal of ERP was to give businesses a vehicle to manage materials and manufacturing information and use it to their cost advantage. Eventually, ERP systems included and organized customer data in ways that helped individual departments operate more efficiently, and it created streamlined processes that helped manufacturing operations automate more of their supply chain. But ERP systems ultimately failed to complete the task they set out to accomplish: to unify the enterprise and turn it into one smoothly running machine. As organizations continue to realize the shortcomings of these traditional ERP systems, they are looking toward the next-generation of solutions to address these shortcomings and finally become an “enterprise” resource planning solution.

About Exact Software

Established in 1984, Exact Software is one of the world’s leading providers of business software solutions. Its integrated solutions comprise traditional Enterprise Resource Planning (ERP) as well as related software solutions such as Human Resource Management (HRM), Customer Relationship Management (CRM), Project Management, Business Intelligence/Analytics (BI/BA), and Electronic Workflow. Exact is headquartered in Delft, the Netherlands and has offices in Europe, the Middle East, North and South America, Asia, Australia and Africa. With over 2,700 employees, subsidiaries in more than 40 countries, solutions available in 40 languages, Exact currently serves customers in more than 125 countries across all five continents. Exact Holding N.V. (EXACT) has been listed on Eurolist by Euronext Amsterdam since June 1999.

Exact Software and Synergy are trademarks or registered trademarks of Exact Holding N.V. and/or its subsidiaries in the U.S. and/or other countries. ©2008 Exact Software, Inc., MAS1689, 6/08