

# Shaping *up*

*Behind the scenes, ERP systems are changing – in terms of both scope and underlying technologies. Brian Tinham examines what matters and what enlightened manufacturers are implementing today*

Interesting isn't it that, as we kick off the new year still struggling with the after-effects of a banking crisis-induced recession, nearly two thirds (62%) of CEOs are now saying that IT will play a key role in their recovery strategy. That's according to a study by analyst Gartner, which also shows that 42% of business leaders are already focusing more on revenue growth than cost controls.

Gartner's slightly surprising, not to say apparently premature, findings come from a web-based study of US and UK companies with revenues of more than \$1 billion, and was conducted in the third quarter of 2009. So that's the view from the big end of the spectrum, and Gartner research vice president Mark Raskino advises: "These preliminary results will help CIOs and their teams with planning and budgeting work... Business leaders are gasping for growth after a long period holding their breath, and they are expecting to increase the importance of IT in their post-recession approach."

He goes on to predict that line-of-business leaders will now be "rapidly

changing tactical business priorities" and suggests that "IT can help, as the economy turns". Nevertheless, although this analyst finds 43% of respondents stating that they intend to increase IT investment in the next 12 months, it also reveals that 45% say IT spending will be flat, while 13% expect a budget decrease.

So how exactly are the more than half of CIOs (probably many more than half) who don't have money to throw around, going to manage? Because, recession or no recession, they are going to have to continue upping their game, if only to stay competitive, in terms of cost and functionality – or face the prospect of a survival strategy turning into protracted death throes.

It turns out that technology and the business climate may be in our favour. Because, behind the scenes, ERP systems – or more accurately, the ways in which they can be bought, implemented, deployed, supported and maintained – have been changing. Just last month, for example, SAP signed an extended deal with Chelford and Computacenter that now looks set to allow

mid-size manufacturers to implement SAP Business All-in-One without hiring IT staff at all. Chelford managing director Justin Brading explains that the offer involves the pair taking all responsibility for application hosting and management, infrastructure maintenance and software upgrades.

"We have had a successful relationship with SAP for several years and continue to work closely to explore the best opportunities to create value for our customers," says Brading. "The new offering means we can provide our customers with more flexible solutions that can be implemented quickly and at a fixed, predictable cost." Fixed and predictable, because we're talking about SaaS (software as a service) at the ERP level – meaning that not only can manufacturers minimise capital investments in acquiring the IT infrastructure, but they can also reduce ongoing IT operating costs.

If you're wondering about the viability of the SaaS approach, however, here are a few observations. First, the world has moved on massively since the days when remote 'application service providers' were founded on the promise of cost cutting, only to founder on the reality of inadequate broadband and a sceptical manufacturing industry. Second, there are now complete application suites and infrastructures based on the on-demand metaphor – think of SAP's ByDesign ERP solution, which, according to the president of SAP's SME group Hans-Peter Klaey, now enables manufacturers to gain "complete visibility

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*Mark Raskino, Gartner*



across their supply chain – including suppliers, customers, manufacturing and logistics”.

And third, this delivery method is now mainstream, and certainly not unique to SAP and its partner network. Epoxy and polyurethane materials manufacturer and distributor Ebalta, for example, reports that its Sage 200 ERP, configured and installed by Sage implementer CPIo, is happily running remote on the Ardent 24 platform. Ebalta managing director Darrell Cross is frank and open about the fact that his organisation didn't have, or want, the IT skills required either to set up or maintain a system. “I felt we were very exposed before on our old internally managed system, and that's the key difference with going to the hosted model. If there's a fault with the server, there's no downtime – it just gets switched to a mirror image. Also, all the backups are handled automatically and we are fully supported remotely offsite.”

So SaaS is one way to move up without spending a fortune. However, if you're still wedded to the 'on premise' ERP approach,

another idea worth pursuing is to look at the small print of your ERP maintenance contract – and take advantage of increasingly common low-cost and fast upgrade offers from the big boys, who are themselves faced with difficult times. That's what pharmaceuticals manufacturer Qualicaps Europe did: José Ángel Martínez, Qualicaps IT manager explains that the company invoked Infor's new Flex programme, with the sole objective of modernising its 10-year-old IT platform. The result: a low-cost, rapid upgrade to the latest versions of Infor ERP LX and the maintenance management system Infor EAM.

Martínez says that, because the organisation had experienced no problems with its ERP or EAM solutions over the last decade, and hadn't seen any need to carry out significant changes to the software, it had not kept up the Infor maintenance contract. “Although this saved us money, we can now see the benefit of restoring maintenance. Infor Flex provides us with cost-effective access to innovative

technologies embedded within the latest versions of Infor ERP LX and Infor EAM to help us run our international operations.”

Meanwhile, for manufacturers contemplating serious system change during 2010, it would be well worth taking a careful look at the structure of the systems offerings in your beauty parade. Camera Dynamics, part of the Vitec group, did that before it installed IFS Applications, back in 2001 – believing that its early software components-based architecture was the future. Several years on and it seems to have paid off. More to the point, Camera Dynamics IT director Chris Beveridge says the system has proved itself perfectly capable of handling multiple business entities around the globe, each with widely divergent manufacturing styles (from repetitive to project-based), while also delivering on the promise of easy integration.

“We recently went through a considerable upgrade to v7, and we never felt the need to evaluate any other system – not least because it makes integration so

easy. A couple of years ago, for example, we interfaced IFS with our Teamcenter engineering system to give us automatic BoM transfer. Then last year, we also developed a web service that allows dealers to see where orders are – but without building a full e-commerce system. With our system, you can do this stuff in real time and retain the business logic, because it has a full set of exposed APIs and all data goes through the business logic.”

Not that components are the only way. Ceramic tableware manufacturer and supplier Dudson, which installed Syspro ERP, from K3 Business Technology Group back in 2007, reports that it is managing its inter-site data interchange (from external sources, such as EDI messages and database transactions) using K3’s DataSwitch 5. “Throughout the Dudson organisation we make countless company transactions. These were previously keyed in several times to create purchase orders, recreate sales orders within each site, receive goods-in and post invoices,” explains Ervin Davis, strategic support director at Dudson.

Since installing DataSwitch, he says all that has stopped: “This technology is helping us to tie down efficiencies that allow us to focus on customer value-added activities... DataSwitch is the link that has unlocked more benefits, from an operational point of view, than Syspro itself. Any company that runs a multi-site operation with Syspro and has to process multiple transactions in sequence would find this useful.”

So there are four readily available approaches – and no doubt there are more. But if you’re wondering which way to jump, it may well pay you to backtrack a little and go through the check list. Quite apart from articulating your all-important business process requirements specifications, SAP and its partners advise that, before you do anything, you should spend a little time reviewing what you’ve got, and assessing whether that and the way you’re set up are as efficient and useful as they could be. SAP is offering a service aimed at helping IT managers and directors to visualise their overall IT infrastructure. For a flat £10,000 fee you get to see what SAP describes as



*Camera Dynamics’ Chris Beveridge: the right system structure has paid off*

“key data not normally available on your production system”.

“We will remotely analyse your system and provide data such as which transactions and reports are used and the frequency of use, and which licensed SAP software is being used,” says a spokesperson. Just as important, the service can highlight what software is not being utilised at all – which, says SAP, might represent missed opportunities or, equally, wasted cost. Other options include analysis of custom transactions and reports, as well as information on modifications and custom developed objects, all of which could provide a useful starting point for determining the gaps and priorities.

Incidentally, if you’re wondering whether such a pre-assessment could be worth it, bear this in mind: a study by SAP archiving specialist Macro 4 last year revealed that almost half (45%) of SAP software users are currently risking system downtime simply by hanging on to large volumes of historical information. “We’ve come across organisations whose SAP databases have grown so large that backups take over 15 hours, making them difficult to schedule without disrupting productivity,” comments Lynda Kershaw, marketing manager at Macro 4, who says her company surveyed 135 SAP users in UK, France and Spain.

It’s a classic result of failures around data management, and it happens all over industry. Kershaw makes the point that these companies are putting themselves at risk, not least because of protracted data

restore times. “Some people falsely assume that if they’re mirroring their data at a secondary site, they’ll always get the system back instantly. But any corruption to data at the main site will just be mirrored to the second location. So on many occasions you’re still left with lengthy downtime,” she explains.

Another issue worth some serious investigation – certainly in view of Camera Dynamics’ and Dudson’s experience – is the scale, automation and efficiency of your systems’ integration. That’s what Matthew Davies did – and it is really paying dividends. Head of IT and business process improvement at Kinnerton Confectionery, part of Zetar, Davies insists that connecting processes and systems must be understood as fundamental to adding value. “QAD ERP connects our business in terms of stock and money, but we also use it for financials, fixed asset register and the supply chain, from sales orders and purchase orders to stock receiving. And around that we have a number of point solutions, such as Preactor for scheduling, and all of those also interface with QAD,” he explains.

But it shouldn’t stop there, he says, citing third party systems such as warehousing and logistics, which, for him, are managed through 3PLs. “When we work with a 3PL, they have their own WMS [warehouse management system] and we run a parallel stock system in QAD. Then, when we despatch a load of product, our ERP generates an advance shipping note via EDI, and that’s checked at the 3PL goods-in, which generates a goods received note that we import automatically. If it matches, then stock is auto-updated in our system. If not, then it generates an exception and we find out what happened.”

And it’s a similar story with Kinnerton’s outgoing supply chain operations. Everything is slick, and the processes cope well with the inevitable variations in ordering patterns across products and the 3PL network. However, as Davies says, none of this would work for a second without good, standardised integration. “Without solid integration at all of these change points you would need people writing and keying,” he insists. ■