

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

An Epicor White Paper

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 system 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 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. 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. Who should consider a new ERP system? Consider 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?

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 integrate 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 vendor 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 in the tools they already 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 (KPI), 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 your company 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

Successful companies grow. Whether through acquisition or organic growth, more and more companies are wrestling with the complexities of managing multiple business entities and a complex global supply chain. The growth and globalization of a company means that their 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 opportunities with respect to consolidation for tighter control and reduced operational costs, enterprise wide visibility, inter-company supply chain management, and financial consolidation, which your ERP vendor should have a history of supporting.

Firstly, sound enterprise financial management practices should be designed to automate and streamline your financial business processes by providing the tools needed to create value through monitoring financial conditions for timely decision making. To this end, you need to ensure that the enterprise application system you are evaluating is an integrated single repository of data which provides an accurate view of all of your financial data 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 to consider 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 not just having the applications screens appear in the localized language. The most important piece that the vendor should have a history of providing their customers 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 is able to provide configurability to meet local financial and tax regulatory requirements, yet be deployed and managed via a master data deployment methodology which 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.

Technology Matters – Scalability and Extensibility through Service-Oriented Architecture

Technology is the foundation upon which most businesses use to 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. When considering 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 the enterprise application business architecture of the future.

It is the unique nature of applications built using a service-oriented architecture (SOA) for flexible management, development and deployment through a granular, solution-assembly approach that create 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 their organization grows and expands; their ERP can grow and expand along with them. For example, a manufacturer can make its internal systems available directly to its customers' purchasing systems, allowing the two systems to function as a single system 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 that today's business environment demands? Your organization will need to ensure that your software investments can leverage next generation business architecture, which exploits the latest technology platform.

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 noninvasive. 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 the technology investment.

Integrated Governance, Risk, and Compliance (GRC)

Achieving financial 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 increasing nature of worldwide compliance regulations, the need for corporate financial visibility has become necessary for any size organization—public, private and non-profit. Regulatory bodies and audit firms are all advocating the need for improved financial management and visibility. Many companies today have to deal with numerous information sources, 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 the disparate data sources internally and reconciling between the individual departments is a huge undertaking. While departmental spreadsheets and legacy data systems may be providing an adequate financial management solution today, as the need for centralized financial data and financial visibility increases, spreadsheets and homegrown systems will no longer be a viable solution to run a business.

Achieving financial 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. Effective governance, risk and compliance (GRC) initiatives help companies and their employees stay compliant, and ensure that employees at all levels of the organization are aware of the associated risks of non-compliance. Expectations are rising among auditors, regulatory bodies, customers, and other stakeholders regarding the protection of corporate information against piracy, fraud, and sabotage concerns. ERP systems control the majority of the information that could potentially be at risk.

It is not uncommon for companies to use multiple enterprise software solutions in different divisions or business entities. Additionally, they may be running multiple instances or copies of the same software, and have a variety of stand-alone or point solution applications—such as order entry or general ledger—that are not integrated, or at best minimally integrated. There may also be a variety of separate databases, tools, and spreadsheets used for reporting, all which may be generating different versions of the truth.

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 in electrical and electronic equipment (RoHS), Waste Electrical and Electronic Equipment (WEEE) directive, and the North American Free Trade Agreement (NAFTA).

GAAP vs. IFRS

Closely related to the topic of leveraging an integrated solution for GRC, is turning to technology to support GAAP and IFRS. In August 2008, the US Securities and Exchange Commission (SEC) published a proposal for a schedule for IFRS to replace GAAP¹ as the international standard for measurement of accounting practices and financial reporting. The proposed deadline for full conversion and compliance by U.S. publicly traded corporations is 2016. Canada is expected to be completely IFRS-compliant by 2011. GAAP have long defined the standards for accounting and related practices in the U.S. and Japan while IFRS is the financial governance and reporting standard that has been implemented in over 120 European and Asian countries.

When evaluating software vendors, make sure that the enterprise software vendors' product footprint is worldwide. If their products are sold on a worldwide basis this would demonstrate evidence of an ability to produce a product that could be deployed globally yet take into consideration the local financial reporting nuances and combinations thereof.

¹ <http://www.businessweek.com> – August 28th, 2008 “An SEC Timetable for Global Accounting Rules”

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 help you achieve the maximum return on investment with the shortest payback period include:

- Improving cash flow performance
- Increasing the accuracy of your costing
- 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 cost of ownership 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 programming development for the needs of mid-sized businesses and also efficiency of implementation results in providing the same level of functionality at a lower cost. Second, as a corollary to the low initial cost of ownership, the reduced maintenance cost alone, based on the lower software cost, can substantially minimize, if not entirely pay for, the cost of replacing an existing system. Third, that the underlying technologies require minimal support, people and resources to maintain - far lower than most other tier one and even comparable tier two system that do not feature a modern business architecture.

Introducing Epicor Next-Generation Enterprise Applications

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

Epicor has long been a consistent 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 re-configure processes, and improve integration of applications.

The result of this leadership and innovation is Epicor’s next-generation enterprise software. It is the foundation upon which businesses execute strategies and achieve objectives, one that operates seamlessly and effectively in the background, enabling highly productive enterprise optimization. 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 Web 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 designed to help you optimize your most important resources.

About Epicor

Epicor Software (NASDAQ: EPIC) is a global leader delivering business software solutions to the manufacturing, distribution, retail, hospitality and services industries. With 20,000 customers in more than 140 countries, Epicor provides integrated enterprise resource planning (ERP), customer relationship management (CRM), supply chain management (SCM) and enterprise retail software solutions that enable companies to drive increased efficiency and improve profitability, and also empower global enterprises to achieve even greater success.

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