

I D C V E N D O R S P O T L I G H T

Business Process Agility: The Next ERP Imperative

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In light of globalization forces, ever-changing customer demands, and unrelenting financial reporting requirements, it's time for enterprises to reconfigure their business processes with the right information tools to compete in the new world order. As changing market conditions beget new business practices, organizations should map their strategies to the following approaches:

- *Organizational agility has to start with an integrated and robust business system that is scalable, easy to maintain in-house, and flexible enough to harness available resources to better forecast, execute, and extend corporate objectives.*
- *The emphasis on agility calls for continuous business process improvement that works best in small teams with ready access to real-time information and reliable data to anticipate change, generate innovative ideas, and reach decisions that are based on market-driven feedback and enterprisewide collaboration.*
- *Legacy systems will have to be replaced if they fail to provide the flexibility to adapt to the latest market conditions resulting from mergers, consolidations, demand shifts, or other changes that require constant adjustments of business processes and IT resources to support them.*

This paper examines the benefits of deploying flexible ERP applications in attaining agility and meeting financial targets in the forms of enhanced productivity and operational efficiency. It also looks at the role of Agresso Business World products in helping companies maximize their value through the right combination of process modeling and information delivery.

The Velocity of Business Change

Business is changing at a greater velocity than ever. For competitive reasons, enterprises need to develop new service offerings more quickly. In addition, customers demand offerings that encompass innovative features with value-based pricing. Services companies have long been tied to traditional project techniques, which include a staged approach. These stages need to be compressed and changed to meet time-to-market demands. Additionally, in the past, customer requirements were defined at the beginning of the development cycle and remained static throughout. Today, customer requirements can and often do change during the development process, and services companies must be agile enough to respond. The evolution of this fast-change demand by professional services and public sector businesses has even been identified and trademarked by one ERP vendor, Agresso, as a new cross-horizontal market segment called Businesses Living IN Change, or BLINC™.

BLINC companies behave differently from their ERP manufacturing predecessors, or even the latter generation of services companies. In addition to addressing the long-standing imperative to constantly lower costs, the BLINC environment forces service providers to seize new service revenue opportunities based on visibility into skill levels or employees and increased effort in planning. With a premium on agility becoming pervasive, the first-to-market advantage is fleeting. This situation has created a new perspective and premium on the need to reduce cost and prevent overspending associated with all aspects of the business life cycle. The BLINC environment forces enterprises to take new and different approaches to process change (see Table 1).

Table 1

The Impact of Agility and Cost Optimization

Business Area	Impact
Project management	Collaboration is at a premium, both within and outside the enterprise.
New process or organizational requirements	Virtually all companies need to respond to changing business events that require new organizational structures, reporting/analysis, or workflow or process changes.
Skills inventory	Enterprises must continue to balance customer service goals with the risk of underutilizing resources.
Profitability	While projects may seem profitable at the outset, without close control and measurement of costs, it is impossible to measure their true profitability.

Source: IDC, 2007

Unprecedented Consolidation and Partnerships

Virtually every industry has seen alliances forming at a far greater rate than ever before. From consulting to financial services, companies are going through mergers and acquisitions and forming alliances on a seemingly daily basis. Additionally, mergers and acquisitions are taking different forms than in the past. Large enterprises, for example, typically acquired smaller enterprises; today, large enterprises are acquiring other large enterprises, as well as midsize and small companies. This trend creates more complex consolidations because systems and business practices are more firmly entrenched and more difficult to bring together.

Similarly, in the past, mergers were typically between enterprises in the same market. Today, seemingly unrelated enterprises merge on a regular basis, which puts additional pressure on the acquiring enterprise to move up the experience curve in the industry to keep its acquisition viable.

In the past, alliances were infrequent and durable and occurred among enterprises that were not competitive threats. Today, alliances can be very specific and short term and occur among enterprises that consider each other rivals. Such alliances raise issues of security with regard to data and business processes, as well as complexity in managing financial and human resource issues. In addition, value chains are significantly more complex. Partners can play multiple roles. An enterprise may be a supplier in one scenario, a service provider in another, and a customer in yet another.

Because the major goals of consolidation are cost savings and economies of scale, the success of consolidation depends on being able to develop key performance indicators (KPIs) and being able to measure success against them.

Stress on ERP and Data Infrastructure

The need to keep up with the speed of change is taxing the ERP applications of many enterprises. ERP applications are selected and configured based on the business conditions at the time that they are implemented. Even the most forward-thinking management and project teams could not foresee all of the possible changes to business conditions and the speed at which change occurs. As a result, the data structures, business processes, and reporting requirements are based on industry and business conditions as assessed by the implementation project team.

The resulting rigid technology infrastructure leaves an enterprise unable to adapt to unforeseen changes, such as new government regulations, acquisitions, or the introduction of new business and/or practice areas. In addition, projects today and for the immediate future will be fulfilled by any number of means — the company's own development center, offshore partners, and subcontractors may all play a role in the development process.

A typical scenario entails any single enterprise with many disparate ERP applications that are difficult or impossible to change. This problem makes it difficult for the enterprise to understand its business and trace project costs, skills utilization, and project billing. Lack of visibility into resources, caused by disparate ERP applications, prevents an enterprise from meeting customer needs or upselling to existing customers. When an enterprise introduces new service offerings, it causes changes to data structures, business processes, and reporting requirements.

Standardization of ERP Infrastructure and Simplification of Its Management

An enterprise without tightly coupled information, business processes, and analytic/delivery models will spend significantly more corporate resources in enabling rapid change within the organization. Companies need to standardize the underlying components of ERP infrastructure, especially in areas such as information management, process/business modelling, and reporting and analytics.

Failure to standardize ERP applications across the enterprise causes a variety of problems:

- Teamwork will be undermined due to a lack of coordination and mishandled data, making corporatwide collaboration impossible.
- When ERP application suites aren't integrated, tracking organizational metrics ranges from difficult to impossible. Financial information residing in many different ERP applications makes attaining even the most rudimentary reporting requirements a challenge.
- Regulatory reporting requirements are unrelenting. Pressures on enterprise transparency make standardized financial reporting much more necessary.
- To streamline and reconfigure business processes to lower operational costs, organizational metrics need to be tracked exhaustively. Without integrated ERP applications, this task cannot be done efficiently.
- Individual business units need to tailor their information and reporting tools to meet their business process requirements. Simplified ERP infrastructure gives the units the control and usability they need to accomplish this task.
- Changes to data structures need to be reflected in all applications, and reporting mechanisms need to be adjusted.

- Additional reporting requirements often lead to changes in data structures.
- New lines of business create additional data to capture, structure, and store in a corporate information warehouse.

Technology innovation can provide a start. New technology platforms and concepts such as service oriented architecture (SOA) and Web services have created optimism in the quest for agility. SOA architecture can improve application integration at the systems level — but it does not inherently increase the system's ability to make changes at the model level.

Benefits of Agile ERP Applications

IDC defines "agile ERP" as *an ERP infrastructure that possesses the ability to adjust to changing business conditions with minimal technical or business process intervention*. Agile ERP applications can facilitate greater collaboration throughout the enterprise by ensuring data integrity to different project stakeholders, enabling them to update data structures on the fly and ultimately scaling the information warehouse to meet individual reporting needs even with significant increases in data volume.

An important hallmark of an agile ERP infrastructure is that it is simple and flexible enough to easily accommodate small project teams as well as a federation of business units and partners in their efforts to collaborate and align each other's objectives with desirable and attainable financial results for all parties involved. This tight coupling of business processes, data models, and business measurement (reporting, KPIs, and other analytics) allows a change in any one area to be reflected in the other areas.

Enterprises that have embraced agility and achieved an agile ERP infrastructure are able to meet the existing needs of customers, as well as anticipate market changes and new customer needs. The enterprise's individual business units can have ready access to enterprise data with confidence in its integrity, system reliability, and built-in business process requirements at any time in their business evolution. The enterprise is able to capture data across the organization to proactively present KPIs and evaluate its financial and nonfinancial strength.

An agile enterprise can easily "roll in" acquired businesses to corporate systems, processes, and data structures. An agile ERP infrastructure provides expandable and scalable applications to protect investments for a longer period of time (i.e., no expiration date).

An ERP application infrastructure that embraces agility incorporates complex business rules to make it easier to do business across multiple markets and geographies. It allows collaboration and business change to take place in real time, and the enterprise can move forward without waiting for the ERP infrastructure to catch up. An integrated approach creates global visibility of orders throughout the enterprise, accelerating responsiveness to meet customer requirements and the prioritization of specific orders.

Planning horizons open up with increased global visibility. This visibility allows improved customer service levels and cost efficiency and provides the information to seize new service revenue opportunities. Visibility into skills inventory leads to improved resource utilization of both internal and external resources.

Agility avoids delays in other ways as well. Emergencies or other changing events can be addressed quickly or proactively. Scalability issues are no longer a problem because agile ERP applications enable enterprises to grow from national to multinational firms and from hundreds to tens of thousands of employees.

Enterprises often experience "ownership" issues when departments implement their own solutions. The agile ERP scenario allows corporate standardization with plenty of and continuous room for unique and common business practices to coexist even at the periphery of the organization. Hence, people in all departments own their information and applications. Likewise, agility provides full compliance from both information and process perspectives, no matter how often or how fast the business changes.

Considering Agresso

Agresso, an ERP software company owned by Unit 4 Agresso in Sliedrecht, the Netherlands, is the creator of the BLINC™ concept, recognizing the importance of an agile ERP infrastructure. The company, founded in 1980, has customers throughout Europe and North America.

Agresso's ERP solution, known as Agresso Business World, is designed to serve midmarket organizations in the public sector and professional services industries. Agresso Business World offers seven modules:

- Financial Management
- Human Resources and Payroll
- Procurement Management
- Project Costing and Billing
- Reporting and Analytics
- Business Process Automation
- Field Services/Asset Maintenance

Agresso differentiates itself from other vendors by enabling its customers to constantly adapt their systems to business conditions well after original implementation. Agresso refers to this capability as "ERP...with NO Expiration Date." This postimplementation agility is achieved through:

- Tightly coupled data management (information warehouse), process modeling (business processes), and information delivery (reporting/analytics)
- A rich presentation layer that supports business model, analysis model, and process model and that meets the needs of a variety of users who demand rapid information exchanges and easy-to-replicate business processes from concept to finished goods and from order to cash
- A combination of project teams and multiple divisions (instead of rigid system structure) with easy extensibility and scalability through flexible configuration, business process mapping, as well as minimum IT overhead

Agresso's customers can benefit from this structure in the following ways:

- Leverage the information warehouse and reporting capabilities.
- Data from an acquisition is immediately transferred to established business processes and analytics.
- Tight integration of data, reporting, and business processes allows organizations' core back-office and front-office infrastructure to move in lockstep, accommodating unlimited change over time.
- Provide business unit leaders with instant snapshots of financial customer data while optimizing their forecasting, planning, and project-completion capabilities.
- Minimize IT management to free up resources to adapt the ERP system to meet changing business requirements.

To gain further momentum in the ERP marketplace, however, Agresso must address two challenges:

- **Market awareness.** Agresso has strengthened its presence in North America through active marketing campaigns, but more marketing is needed to solidify brand awareness and key differentiators in target verticals such as public sector and professional services, where many customers either rely heavily on legacy systems or are slow to embrace alternative products because of high switching costs.
- **Quick returns.** Although the midmarket ERP segment is likely to experience considerable growth in the next five years, Agresso will need to do more to clearly establish the difference between the classic definition of total cost of ownership (TCO) at the root implementation and early usage level — i.e., underscore and show clear examples of TCO fused with ROI and savings resulting from implementations that have weathered multiple business changes (BLINC companies).

Conclusion

As the BLINC concept illustrates, global business is changing faster than ever. This newfound velocity creates great opportunity — as well as significant challenges — for midmarket enterprises. Perhaps the biggest challenge is keeping up with or exceeding the velocity at which competitors, partners, and customers change. Competitors, for instance, will bring their products and services to market more quickly and with better value than in the past. Therefore, enterprises must attain business process agility to compete by slimming down their hierarchies with sufficient information disclosure and accelerating decision making through extensive collaboration among project teams and external stakeholders. On the public sector side, citizens demand quality services and responsiveness from institutions that are bound to be held accountable for greater transparency in their business processes through better record keeping, self-service enablement, and egovernment automation.

The need for velocity puts significant stress on all aspects of an organization. Technology infrastructure is affected as a result, particularly ERP applications. Enterprises need to think ahead to understand what it takes to approach change proactively. Only with a proactive approach can organizations expect to achieve the following prerequisites of agility:

- Customer satisfaction
- Reduced time to market
- Enterprisewide collaboration
- Increased profitability
- Sustainable results that entail continuous process improvement

By offering an ERP system that supports ongoing and dynamic business change without major IT intervention and reengineering, Agresso has a clear opportunity to deliver the previously mentioned benefits to midmarket organizations that aim to exploit agility to their advantage.

A B O U T T H I S P U B L I C A T I O N

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