

An Epicor® White Paper

Choosing the Right ERP Solutions to Support a Global Business



Abstract

Many organizations are becoming increasingly global. To support these efforts, they have established multiple sites or locations—manufacturing plants, branch and regional sales offices, distribution warehouses and national, regional, and even global headquarters—that may be distributed within a country, a region, or around the world.

As organizations expand into new territories, they face a number of operational challenges. They need to adapt to the business rules of foreign countries, including government regulations, reporting requirements and variations in tax and labor laws. They must accommodate multiple languages, multiple currencies and varying local best practices. And because companies operating in multiple countries are required by law to create separate legal entities, inventory transactions become more complex with intercompany movements being treated as purchases and sales between legal entities.

Yet even as they meet local requirements, organizations must also integrate their operations to gain visibility across all operations to support strategic decisions, enhance operational efficiency, and manage governance, regulation, and compliance (GRC) initiatives.

Enterprise Resource Planning (ERP) is a mission critical component of any business' globalization strategy. ERP solutions automate the functions necessary to manage a wide range of local operations, from accounting to customer relationship management (CRM) to supply chain management (SCM).

The information held within an ERP system is also the key to gaining visibility into accurate, consolidated information about the business and is the foundation of the key performance indicators (KPIs) necessary to achieve corporate objectives. A well implemented ERP solution can also provide transactional interoperability. Companies that automate and streamline workflows across multiple sites, including suppliers, partners, and manufacturing sites can reduce the total time from order to delivery.

Businesses have a variety of strategies to select from when implementing ERP systems across their global organizations. This white paper describes the three principal choices:

- ▶ Each business unit or division can choose its own solution
- ▶ The entire business can consolidate on a single ERP solution
- ▶ The business can use one solution to centralize and standardize key operations while using a second standardized solution for select operations within the business units

The choice of configuration can have a profound impact on the ability to achieve visibility across the organization and deliver the functionality the organization needs to operate and grow. It also affects the cost and complexity of implementing and supporting the solution. As organizations become increasingly globalized, they recognize the value of consolidating their operations on fewer ERP systems. However, these efforts have been stymied by the cost and complexity of the limited number of systems that could meet their requirements. Today, companies should expand their shortlist of ERP solutions to vendors which offer the scalability, total cost of ownership, and comprehensive global functionality to truly support an organization's operations. There are some solutions which provide a cost effective option to organizations that desire to use a single solution to both run their local operations and consolidate data at headquarters to provide visibility for strategic planning, improving efficiency and managing GRC initiatives.



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Each Business Unit Chooses its Own Solution

As they grow, many organizations allow each regional office or business unit to choose the most appropriate system. For example, local offices each typically use their own accounting systems to support their local practices.

These systems rarely communicate with each other. Businesses rely instead on external systems, such as spreadsheets or hard copy reports, to consolidate management and financial information. Alternatively, many organizations acquire multiple ERP systems as a result of mergers and acquisitions.

The advantage of each division or unit choosing its own solution is that it can select the application on its merits. Most specialized systems have a simple, generic core that is adapted to meet specific customer requirements. This tailoring provides a very tight fit with the organization's business needs.

Local systems may also be significantly less expensive to implement and support than large systems designed for a global organization.

The disadvantage of having different applications for each unit is that data is in different formats with different identifiers, inconsistent master data, varying time periods and so on. This makes it difficult to deliver consolidated figures for the business as a whole that can be traced back to the original transaction. Although integration can enable the necessary consolidation, the cost of integration is typically very high.

Additional drawbacks include the fact that local systems are unable to deliver the benefits of standardization across the global enterprise; organizations end up with a hodge podge of systems, all needing support, maintenance, training, and frequently different skill sets. This redundancy leads to higher overall operating costs. Extensive customization can also make it difficult to upgrade or modify the systems later on.

As a result, many organizations are moving away from the practice of allowing individual business units to select and implement their own local applications.

Real-World Example: Standex

With more than \$500 million in revenue, Standex has more than 90 plants in 17 businesses that make more than 48,000 products that span the range from custom hydraulic cylinders and missile nose cones, to fine china and religious literature. Standex wanted a one-stop shop for software and services that could provide support for all the companies worldwide. Flexibility was a prime criterion, since the various businesses within Standex cover such a wide range of manufacturing situations and needs. Other key criteria were overall cost and the ability to support Standex's operations globally with the needed multinational capabilities. Epicor solidly met all requirements and today Standex is standardizing all plants and its corporate headquarters on the Epicor solution.

Consolidating the Entire Business on a Single ERP Solution

Organizations now recognize that internal operations must be integrated on a global scale to achieve global visibility and transactional interoperability, as well as ensure governance, risk management and compliance. As a result, there is a growing trend among mid-sized to large organizations to consolidate applications, with many organizations attempting to deploy a single ERP worldwide. This strategy promises to provide a single repository for accounting, order processing, manufacturing, human resources and data from other functions as well as including advanced financial management reporting and analysis. According to Gartner¹, roughly 70 percent of companies with multiple ERPs stated a desire to operate a single global ERP system.

The primary advantage of consolidating on a single ERP solution is that it integrates resources and eliminates redundancy. A single database for all accounting, manufacturing and supply chain functions provides consolidated information from the head office down to the most remote subsidiary. This enables managers and executives to drill down from the consolidated profit and loss statement to the underlying transactions at the point of entry, anywhere in the world.

In addition, when rolling out an ERP to several sites, costs can mount. By reusing the same skill set, process models, methodologies, and deployment strategies at multiple sites, organizations can keep deployment costs under control. At the same time, globalization requires standardized business processes whenever possible. It's simpler to harmonize and standardize business processes on a smaller number of production systems.

Cost and complexity issues dominate the reasons that organizations abandon a single ERP strategy. If subsidiaries are located in the same region or country, the problems are not so great. If the solution can be standardized in all operations with the same financial reporting structure, it can be installed quickly and cheaply. But when a single ERP solution is deployed in different countries with different currency, fiscal, or legal requirements, many organizations find that the cost of configuration and ongoing support are out of proportion to the benefits gained.

In addition, not all ERP solutions are ideally suited to handling the less complicated needs of a branch or sales office in a remote country because of their complexity and these projects can take many years to roll out. Thus, despite the best of intentions, many organizations have a difficult time deploying a single ERP throughout their organization.

Historically, there have only been one or two options for a global ERP solution—typically referred to as “Tier-1” solutions. The set of choices has expanded to include additional “Tier-2” vendors which have the solution and infrastructure to effectively support a global ERP initiative in a cost effective manner.

Today, however, Tier-2 solutions such as Epicor offer all the capabilities that an organization would expect from a Tier-1 system. These include end-to-end ERP capabilities, embedded workflows, as well as robust reporting and performance management capabilities. In addition, Tier-2 solutions continue to provide their long-held advantages of a lower total cost of ownership, greater flexibility, and the ability to be implemented more quickly than their Tier-1 counterparts. Tier-2 packages also offer ease of use, strong functionality, and a rich, repeatable footprint based on established business processes.

¹ “Two-Tier ERP Suite Strategy: Considering Your Options,” Gartner, July 2010

Real-World Example: Energizer Holdings, Inc.

Energizer Holdings, Inc. provides a good example of a company that is successfully using a two-tier strategy. Energizer Holdings is the well-known maker of batteries, flashlights, and other consumer goods under brands including Energizer, Eveready and Playtex. Energizer uses an ERP solution from Epicor in 28 countries in Asia, Eastern Europe, and Latin America. The Epicor solution is localized for use around the globe with little input required. Out of the box, the solution works in more than 30 languages and is set up with country-specific regulations and controls. It handles local legal, fiscal, and statutory requirements with no extra configuration required. “Our biggest concern was getting a product that could adjust to our many diverse markets,” says Randy Benz, Chief Information Officer of Energizer Holdings. “The Epicor solution has exceeded our expectations in that regard.” Benz also stated, “We found that the all-in cost of deploying the Epicor solution was somewhere in the range of one-third to one-half the cost of a typical ‘big iron’ ERP.”

If overall cost and manageability are important, organizations should consider a Tier-2 option for their global operations. Not only does the organization benefit from the global functionality it needs at a lower cost, it can also benefit from the unification that comes from a single solution strategy, and avoids the extra integration and vendor relationship required in a Tier-1/Tier-2 approach.

Using a Combined Solution

In response to the cost and complexity of a single Tier-1 strategy, many organizations are now moving to a dual vendor approach that uses a centralized Tier-1 ERP for the major parts of the business and a standardized Tier-2 ERP in the business units. Ray Wang of Constellation Research found that more than a two-tier ERP strategy was growing in popularity with more than half of companies surveyed saying they were considering a two-tier ERP approach.²

As the consolidated parent system, the Tier-1 ERP can handle high data volumes and has the features necessary to manage transactions and reporting for the large numbers of employees and users that typically work in headquarters. In addition, the Tier-1 ERP allows organizations to centralize functions that require consistency across the entire company, including procurement, operations, architecture, standards, processes and ERP application development. These functions can then be supplemented by a single approved application that is implemented in business units where it is cost prohibitive to deploy the larger package. For such distributed units, a solid Tier-2 player is a sound alternative.

With this dual vendor strategy, organizations retain the benefits of consolidated information, providing greater visibility, as well as drill down to individual transactions, linking together sites, divisions, and subsidiaries around the world. Using the Tier-2 package, organizations can achieve significant savings in the initial purchase price, during the rollout process to multiple subsidiaries (due to the ability to use the same skill sets, processes, methodologies and deployment strategies) as well as in lower maintenance and support costs. Research firm Gartner stated that companies adopting a two-tier approach to ERP may experience a 33%-plus reduction in implementation and support costs, and a 50%-plus increase in implementation time is achievable.³ By reducing the number of ERP instances, organizations can enable more consistent business processes across the entire organization. Tier-2 solutions are also easier for the local business units and offices to use.

The disadvantage of this strategy is that organizations continue to use two systems: one at headquarters and another at divisions and subsidiaries. The need to integrate the Tier-1 solution with the Tier-2 environment adds a layer of complexity and associated cost. Despite the standardization on the lower cost Tier-2 solution for local or distributed operations, two ERP systems remain in use within the business, which increases the related IT administration, user education, and support/maintenance overhead.

² “Best Practices—The Case for Two-Tier ERP,” R “Ray” Wang, March 2011

³ “Two-Tier ERP Suite Strategy: Considering Your Options,” Gartner, July 2010

Consider Epicor for Your Global ERP Solution

Serving more than 20,000 customers in over 150 countries, Epicor provides global enterprises with flexible, cost-effective standardized business solutions that can be supported globally through a single provider.

Epicor provides the opportunity to standardize an entire business on a single solution worldwide. Alternatively, Epicor can integrate a corporate Tier-1 ERP with the organization's divisions and operating plants. The inherent interoperability of Epicor solutions provides for seamless connectivity and collaboration via open service-oriented architecture (SOA) and XML Web services—application-to-application and enterprise-to-enterprise—as well as to many existing industry-leading third-party solutions.

The Epicor world-class capabilities enable the local, regional, or centralized deployment of standard processes within a consistent, pervasive security framework. This ensures that the operational information produced locally from forecast to financials, cascades upwards into a single consolidated view of global activities that accurately reflects the organization's performance.

That performance may be measured against both internal standards and a multitude of international standards, including FASB GAAP, and IAS, and reporting standards such as IFRS and other generally accepted accounting practices with which local operations must comply.

Epicor provides solutions in over 30 languages. Language flexibility, supported by Unicode, is part of the standard Epicor solution and includes features that allow users to operate in the language of their choice concurrently. Epicor enables information to cascade and consolidate seamlessly into the organization's business language of choice. Currency management is also extremely flexible.

Portal and business intelligence solutions allow corporate users to move seamlessly from corporate financial statements to division performance metrics to real-time individual site information.

Beyond offering a product designed for global business, Epicor provides comprehensive support for its solutions worldwide. Epicor has a global infrastructure that incorporates support centers located in every major operating region—the Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. Through these regional centers, Epicor provides support in more than 20 languages.

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