

Getting ahead

As organisations learn to become more customer-facing, supply chain visibility and control will increasingly be essential for commercial success, says Nick Allen.

Increasing supply chain complexity is a major concern for just about every sector across the broad industrial spectrum. According to a worldwide study of small and medium-sized enterprises in the discrete manufacturing industry – just published by IDC Manufacturing Insights and conducted on behalf of Infor and IBM – some 58.9 per cent of Western and North American respondents stated that complexity is a critical issue regardless of the size of the business.

The report highlights the difficulties companies face in ensuring fulfilment due to complex global supply chains. A lack of clear visibility into market demand coupled with long supply chains and a pressure to reduce costs have all placed a heavy emphasis on the need for far more sophisticated IT resource, systems capable of offering the clarity required for orchestrating highly complex and global supply chains.

While the report indicates that respondents to the survey do not find it easy to find hard measures for the value of ERP systems, 82.7 per cent of discrete manufacturers believe their ERP system is helping them somehow. The key benefits cited include making better decisions, increasing profitability and reducing manufacturing costs. As organisations learn to become more customer-facing, supply chain visibility and control will increasingly be essential for commercial success.

Ronald Teijken, director of industry marketing, manufacturing and logistics at Sterling Commerce, believes that, although ERP has provided a standardised system for major processes within manufacturing companies for many years, the effects of the recession have meant that traditional supply chains have changed considerably and ERP systems are not well suited to support the extended supply chain processes.

He sees that trading partners have fluctuated greatly during the recession and manufacturers no longer work as individuals, or in business silos. "They now have a much larger business collaboration network throughout which they need to share information," he says.

"Historically, ERP systems have been perceived as cumbersome, restrictive and costly," says Teijken. "What's more, traditionally, ERP systems are within the four walls of a company, meaning that integration across enterprise boundaries is restricted. They also tend to be developed vertically across a company, but fail to integrate with other areas of the supply chain outside the four walls of the business."

Teijken says manufacturers now need solutions that can orchestrate their order management across multiple instances of ERP systems. What is needed, he says, is a solution that crosses the walls of both the enterprise and different business partners and which is also easy to integrate and execute on top of existing infrastructure.

Reflecting this requirement for greater connectivity beyond the enterprise, Solarsoft Business Systems has



Global concerns for ERP systems.

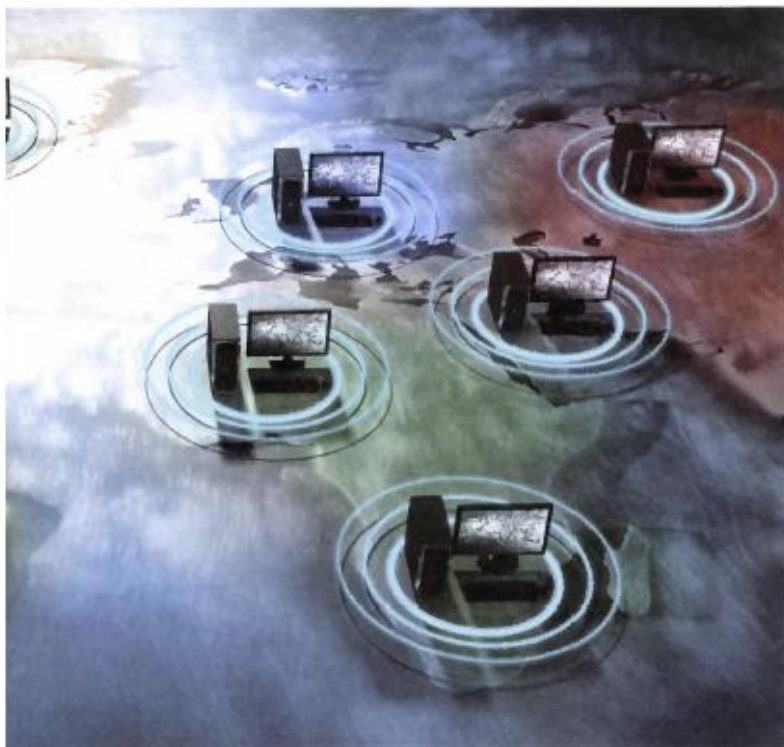
launched a cloud-based version of its ERP platform. The company says its IVP ERP system is already being used by 350 manufacturing companies. Product director Steven Hargreaves says: "One of the clearest advantages of choosing the cloud option is that manufacturers gain earlier access to new capabilities without having to wait until a new fiscal period for the capital budget. Hosted, service-based solutions are accounted for differently and treated as a monthly operating expense with a predictable charging structure and upgrades and maintenance built in."

More and more companies are adopting "cloud computing" not only to trade more collaboratively with suppliers, but to bridge the silos within their own organisations, giving visibility across multiple divisions or operating units. Alstom Transport, a major manufacturer of railway systems, implemented an on-demand supply chain management system from Wesupply to iron out inconsistent and unreliable inter-site service levels across 20 of its sites worldwide. The result was an improvement from 70 per cent to 90 per cent in 16 months and a significant reduction in inventory costs.

"The internal collaboration across our sites facilitates an improved trusting relationship, enabling improved control of scheduling and fulfilment, while providing a real-time global view of our business from any location," says Annie Saillard, supply chain director at Alstom Transport. The company is now more easily able to exchange orders and commitments between its internal

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in the clouds



plants, while seamlessly leveraging, and integrating with the SAP system already in place across the organisation.

Rob Gibney, UK country manager at Imtech ICT Logistics Solutions sees a growing role for transport and warehouse management systems being delivered through SaaS. The company is launching a SaaS version of its established product in January. "The growing complexity and interconnected nature of business can be a barrier for many transport companies wanting to upgrade or keep pace with IT system developments," he says. "We see the future as being able to wrap all the features of our developed software offering into a SaaS-based product, making it available on a monthly fee basis. The idea is that companies can try it out for a few months without a need to commit, and critically, implementation time is dramatically cut."

According to Gibney, the SaaS model holds a lot of advantages for the software vendor too. "From a software supplier's point of view, the whole support and sales implementation model is much better, so we can reduce our costs and pass those savings on to our customers," he says. Beta testing of a SaaS version of the company's software is currently underway with a European launch scheduled for January 2011.

The big ERP vendors too are looking towards the cloud. Oracle, offers a complete, open, and integrated portfolio of software and hardware for building and managing private clouds as an internal service provider, for taking advantage of public clouds, and for developing cloud services that can be offered by cloud service providers.

Working with supply chain partners outside of the enterprise is one of the latest growth areas.

Components include some of the company's leading technologies such as: Oracle Database, Oracle Fusion Middleware, VM and Enterprise Manager.

SAP is also responding to this move in the supply chain landscape. Simon Bishop, co-chair SCM special interest group at UK & Ireland SAP User Group on ERP, explains how the ERP vendor is responding to the developing nature of supply chains. "Linking and collaborating with supply chain partners outside of the enterprise is one of the latest growth areas in the supply chain process and there is currently a revolution taking place in the area of Supplier Network Connectivity," he says. "SAP for example, has responded to this growing demand by adding enhanced functionality to its SCM module and developing other solutions to support this."

"There is growing feeling that, around a central core of ERP, an envelope of application solutions will create the optimum processing environment," he says. "Over the last decade or so there has been a sea change from ERP systems with a very rigid structure to a far more flexible solution. This has meant that the original main difficulty of communication between systems has been reduced considerably and now a combination of ERP providing a central core surrounded by best of breed solutions is considered the way forward."

Slow

A survey just published by the UK and Ireland SAP User Group found that almost three quarters (73 per cent) of SAP users believe that SAP had been slow to bring its SaaS suite to market. The same survey found that 61 per cent of SAP users saw their organisation using SAP's SaaS offerings in the future. Also, some 16 per cent of respondents said that they ended up using another vendor's technology in another area of their business because SAP did not have an appropriate SaaS offering for their needs.

Danny Halim of JDA advocates the best of breed approach. "Many companies went through two to five years of ERP implementation, and the length of implementation varies because of the size and complexity of their businesses," he says. However, "upon completion they are not necessarily getting the full ROI that was promised from the implementation and that creates a lot of heart-burn in the business from the standpoint of starting a new IT project."

For companies looking to move forward, Halim suggests there are three choices. Option one: Do nothing. Option two: Go back to the ERP vendor and ask what else can be done, which he says "would probably be, implement another round of ERP". And option three: "Concentrate on 'best of breed' and solutions that would be able to interface to those ERP systems, but focused on solving the specific business issues and challenges that they have – a solution that is low risk."

Recent research carried out for GXS highlighted the fact that 34 per cent of data in ERP systems originates from outside the enterprise (eg, from customers, suppliers, 3PLs, etc). "This demonstrates the importance of considering the integration of external trading partner transactions with ERP," says Mark Morley, director of automotive industry marketing at GXS. Emphasising the importance of ERP and B2B connectivity, the research uncovered 57 per cent of companies have experienced production outages due to lack of B2B connectivity.