Enterprise Business Management Solutions in the 21st Century: Key Buying Considerations
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Enterprise Business Management Solutions in the 21st Century: Key Buying Considerations

More than at any time in the past, business management and enterprise resource planning (ERP) solutions are the lifeblood of manufacturing. Without the capabilities they provide, manufacturers would have difficulty meeting production and delivery schedules, monitoring product quality, maintaining inventory levels, standardising receiving and order entry, and ensuring pricing accuracy. Those are just some of the reasons the vast majority of manufacturers rely on some sort of business management system today.

While having an ERP system is far better than operating without one, many older ERP solutions—typically, those that companies have had for seven years or more—simply can’t keep up with today’s business requirements, technology, and customer demands. Older systems are also more difficult and expensive to maintain, and often don’t work well with today’s important technologies, such as mobility and the cloud.

Transitioning to a modern business management system that integrates financial, supply chain, and manufacturing operations management make a lot of sense. With this combination of functions, manufacturers can make better decisions, meet delivery timelines, monitor inventory levels and customer satisfaction, reduce operational and administrative costs, and ensure compliance with relevant requirements.

Legacy Systems are Good to a Point
Efficient manufacturers today require full visibility into operations, finance, supply chain, and customer relationships. In today’s world, manufacturers need a complete business management solution—one that manages everything in both the front and back office, from finance and accounting to supply chain, manufacturing operations, inventory, and sales and marketing.

While many legacy ERP systems have “hooks” into other core business systems such as operations management, customer relationship management (CRM), and warehouse management systems, the integration between these systems is often haphazard or homegrown. Others aren’t integrated at all with other core business systems.

If the systems aren’t integrated properly or aren’t connected at all, the data can’t provide real-time updates from one system into another. That can result in lost productivity and errors such as understanding the relationship between profits and customer retention or between operations and inventory management. Without full integration, decision makers don’t have the visibility they need to improve business and demand planning.
Older ERP systems—those seven years old or older—often don’t work well with newer technologies and trends, such as mobility, the cloud, or the growing array of sensors and other electronic monitoring solutions that are increasingly becoming part of the manufacturing environment. These inefficiencies can cause manufacturers to create expensive, manual workarounds. Sometimes these workarounds appear to work well enough, but because they aren’t part of the core system, glitches can occur. What’s more, these roadblocks can prevent manufacturers from taking advantage of the capabilities that customers and partners expect them to have. Without the ability to work with these newer technologies, for example, manufacturers will have difficulty moving toward “smart manufacturing,” designed to provide unprecedented levels of visibility into the entire manufacturing process.

To meet the needs of specific user groups, organizations traditionally had to customise their ERP systems, sometimes engaging an outside contractor to do so. In addition to taking a lot of time and money, customising the software often made it difficult to upgrade to newer versions. Newer business management systems have solved this problem; individual users can configure or personalise views and information without changing the underlying software. For example, users can drag and drop elements or select the data they want with newer browser-based systems. Legacy ERP systems also tend to have limited reporting and rudimentary analytics capabilities—functions that have become more important as companies strive to apply business intelligence and advanced analytics to their increasing stores of data. Finally, vendors often stop supporting systems when they reach what they consider end of life.

All of these factors are encouraging manufacturers to consider replacing their older ERP systems. According to a report from Aberdeen Group, the top reason that manufacturers replace ERP systems is that they have an obsolete technology foundation or infrastructure.

### On-Premises or Cloud: Which Option Makes Sense?

In addition to choosing the right integrated business management solution, manufacturers must decide whether it makes sense to purchase an on-premise version or a cloud-based version. One option isn’t inherently better than the other; it depends on your organisation’s priorities, requirements, and internal IT skills.

For companies that need or want full control over IT resources and the skills to maintain systems over time, an on-premises solution may make sense. It also may make sense for manufacturers with complicated requirements that require extensive customisation, or for companies in regulated industries that are subject to stringent regulations.

For others, however, the cloud can be a good move. With a cloud-based solution, manufacturers don’t need to purchase, maintain, and upgrade expensive in-house equipment or skilled IT staff to ensure that the system is always available and always running properly. Most of these browser-based systems are designed specifically for web delivery, yet they are still customisable. They can be up and running quickly and are scalable to whatever scope a company needs. Data is stored centrally in a secure cloud, with full backup and redundancy.

Cloud-based systems can also be much less expensive. In addition to lower up-front costs, the model is “pay as you go”, so companies only pay for what they use. The subscription model means that the cost can now be categorized as an operational expense instead of a capital expense. According to a recent report from Panorama Consulting, 56 percent of respondents who deployed cloud-based ERP technology reported implementation cost savings of 41 to 60 percent.

A study conducted by the Manufacturing Performance Institute found that the tools and technologies most manufacturers have today couldn’t support customer-focused innovation for nearly half of respondents, and about one-third said their current systems did not provide adequate supply chain visibility.
Other high-ranking reasons included a general lack of features, the cost of maintenance and support, lack of vendor support, and the inability to tailor the ERP solution to integrate changes to the business. Aberdeen also found that manufacturers were concerned that their existing ERP systems could not adequately predict and manage demand, handle the increased volume and complexity of data, and provide collaboration for the extended enterprise, among other pressures.

Other studies back this up. A study conducted by the Manufacturing Performance Institute found that the tools and technologies most manufacturers have today couldn’t support customer-focused innovation for nearly half of respondents, and about one-third said their current systems did not provide adequate supply chain visibility. Most also reported that their existing tools and technologies won’t meet their needs for the future.

Yet the capabilities that manufacturers lack in legacy ERP solutions are critical to success. In a study on medium businesses, IDG Research Services found that companies with more effective data grow 35 percent faster and consistently achieve higher performance on all operational and customer-focused business outcomes. Disparate legacy systems don’t provide the collaboration and analytical tools to deliver the effective data used to drive this growth.

The Modern Business Management Environment
What manufacturers need most today is a comprehensive, reliable system that creates visibility across the company and its functions. The system must be able to provide decision-making tools; foster collaboration with suppliers, customers, and partners; consistently and reliably manage supply and demand; incorporate modern technologies and trends; be fully secure; and be cost-effective. A comprehensive business management solution delivers in all of these areas. With better data accessibility, usability, quality, and intelligence, manufacturers can more effectively analyse performance and identify opportunities to enhance customer relationships and operational efficiency.

The best way to create transparent visibility is by investing in a business management system that integrates functions from finance and accounting, supply chain, warehouse, operations management through to CRM with integrated business intelligence—all while remaining simple for users. This visibility provides a complete view of customers, operations, inventory levels, and financial indicators. A fully integrated system preserves data integrity, eliminates duplicate information, and enables mobile access and better collaboration. This creates a single point of control and a single version of the truth so you can spend less time collecting data and more time using data. Just as importantly, an integrated solution with better data will help manufacturers grow.

When major systems are properly aligned and integrated, the entire company benefits. For example, with a system that integrates finance, supply chain, warehouse, inventory, operations, and CRM, the customer service team can easily see when a specific product is slated to be manufactured and shipped. The sales team also has the information it needs about production schedules, pricing, credit, and quantities to better answer customer queries and increase sales.

The results of this type of integration can be significant. Take the case of S&S Hinge Company, an industrial hinge manufacturer that wanted to replace its outdated ERP

Sage X3 Advantages
Sage X3 manages your entire manufacturing operation faster and more effectively—from procurement and scheduling to shop floor, inventory, sales, and financials—and provides better insight on quality and costs to promote strategic collaboration and improved operational efficiency.

• Increase customer satisfaction by accelerating response to their inquiries and requests with accurate product inventory and pricing.
• Optimize your processes by gaining real-time control of work order details, and deeper insights into your production costs.
• Ensure that products meet or exceed the high standards of your customers, and adapt to compliance requirements.
• Manage customer care, warranty, and service orders as part of your core processes and improve traceability.
software and separate quoting, scheduling, and CRM systems with a modern, integrated system. Moving to Sage X3 allowed the company to reduce inventory carrying costs by 30 percent, increase inventory turns by 20 percent, and reduce the time necessary to produce a customer quote by 75 percent.

Integrated functions also lead to better information access from any location, at any time, on any device. Improving data accessibility has been proven to increase sales speed entry into new markets, and foster innovation. Mobile apps connect employees, partners, suppliers, and customers on mobile devices, helping to speed transactions and improve productivity and communication.

Combining mobile access with business intelligence also provides a host of new opportunities. An executive, for example, can access inventory status, sales results, and other information on the go, increasing productivity. At Vacuum Engineering & Materials, a thin film materials manufacturer, one of the major reasons for upgrading to the latest version of Sage X3 was to take advantage of advanced mobile support. Both executive staff and the sales team can now access orders, sales charts, and graphs on both tablets and smartphones for faster decision making and improved responsiveness.

A modern system also will be able to incorporate relevant data from machine-to-machine (M2M) communications. These types of communications, often called the Internet of Things, includes the sensors and devices that are becoming part of equipment on the shop floor, such as RFID tags on products, temperature sensors on the shop room floor, and the operational status of critical manufacturing equipment.

In addition, newer systems allow users to customise the way they receive information and the form they receive it in. This type of flexibility helps different types of users collect and use the information in ways that make the most sense to them, which, in turn, makes the data more usable and easier to share with others. This can greatly improve productivity, resource optimization, and inventory management. According to an IDG Research study, companies with more usable data increase productivity by an average of 10 percent.

The ability to share data across the company and with suppliers, customers, and channel partners can drastically improve collaboration. By enabling consistent collaboration in real time with up-to-date data from all major systems, manufacturers can become more responsive and more innovative, while improving customer satisfaction.

**Good Data + Enterprise Business Management = Growth**

When systems are integrated properly, they produce more effective data—data that manufacturers can analyse to boost efficiency, improve processes, and increase profits. For example, by understanding inventory levels and the rate at which different raw materials are used in manufacturing processes, manufacturers can better forecast when specific materials should be replenished. With data about product sales and inventory levels, executives can make better decisions about which products are most profitable.

In a study on medium businesses, IDG Research Services found that in addition to increasing value, medium businesses consistently achieve higher performance on all operational and customer-focused business outcomes.

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*Sage X3 Provides Capabilities for Manufacturers including:*

- Production management methods by job, order, or inventory.
- Automated finite capacity planning.
- Extensive lot and serial number traceability.
- Flexible work order release management capabilities.
- Bill of Materials management with component by date.
- Product configurator, options, and variants.
- Flexible costing and pricing methods.
To get even more value out of the data, many manufacturers apply business intelligence to the integrated data. Business intelligence gathers and analyses integrated data in a way that provides valuable insights for different parts of the business. It can help C-level executives better understand and define key performance indicators, shop floor managers better plan and forecast supplies, and the finance leaders better manage revenue and profitability. According to the IDG survey, companies with a 20 percent improvement in data intelligence are more profitable, and are four times more likely to optimise inventory levels.

For Satellite Industries Inc., a global portable sanitation manufacturer, the goal was to improve financial reporting and create a reliable source of real-time decision-making data. By combining Sage X3 with Sage Enterprise Intelligence, the company has not only shortened its month-end closing cycle from nine to five days, but has been instrumental in improving the tracking of past due accounts. Access to the most current and relevant data has led to more proactive decision making and improved cash flow.

**Conclusion**

Manufacturers can’t get very far without a functioning ERP system. But today, that’s not enough. Older ERP systems aren’t powerful enough, user-friendly enough, or cost-effective enough to handle today’s technology and business requirements. And while legacy ERP systems may be loosely integrated with other critical systems, the integrations usually aren’t seamless enough to provide full visibility across the enterprise.

With today’s more flexible enterprise business management solution, manufacturers will benefit from streamlined processes, improved productivity, better visibility and actionable data across their entire business—all features critical to corporate growth.

For more information online Sage X3, call 0800 952 0082 or visit us online:
SageX3.com

“Sage X3 is a very flexible and adaptable application. We have been able to tailor it to fit the way we operate. The real-time nature of Sage X3 means we always have accurate data available to our customer service, accounting, and manufacturing departments.”

Anne Robinson
IT Director, Alloy Polymers

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