

BUSINESS GUIDE

8 Ways Legacy ERP Harms Businesses





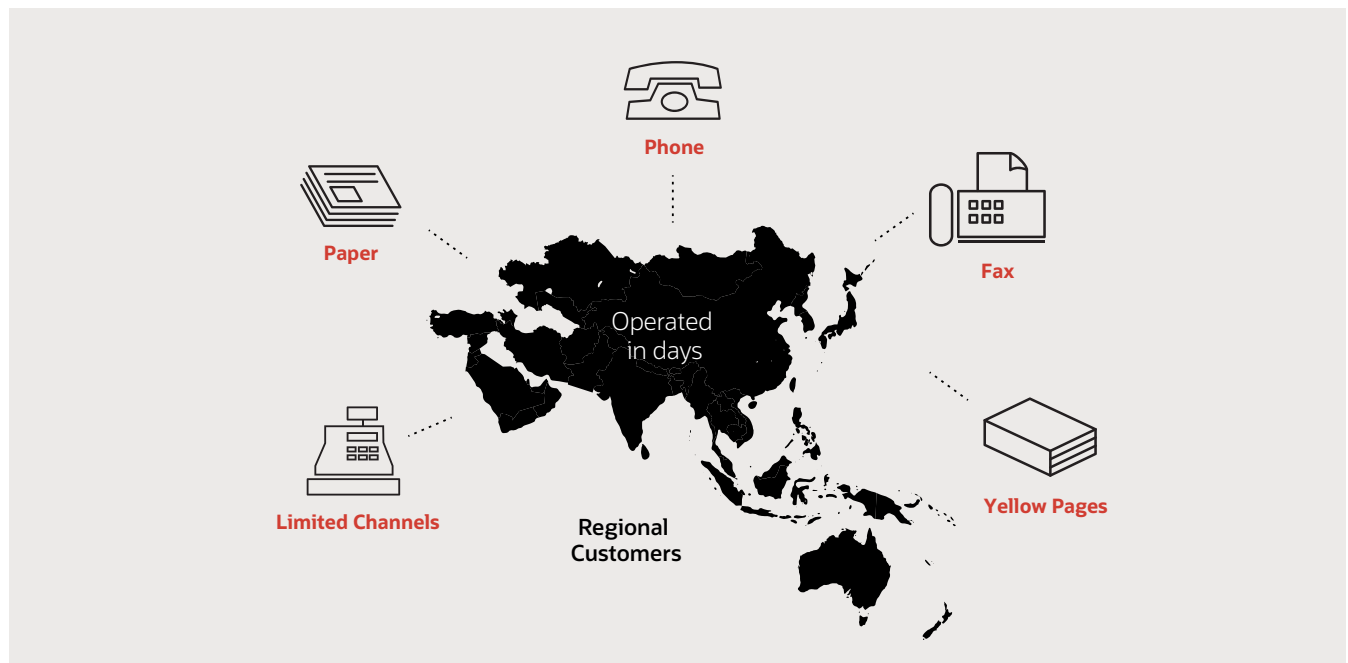
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8 Ways Legacy ERP Harms Businesses

Today's Outdated State of ERP

When was the last time you upgraded your ERP system? Not just patched, fixed or played around with it—but implemented a substantial upgrade that enabled real business innovation, generated excitement, and unleashed a wave of ideas and productivity from your users? You know, the same kind of enthusiasm that greets web or iPhone apps like Instagram, Spotify, Netflix, etc?

If you're like your peers, then the answer is "not in recent memory." In fact, the results of a global Forrester research survey indicated that around half of ERP customers are on releases that are two versions behind the current release, which may be four years old or more.



Remember when your business environment was like this? Is your ERP still stuck in the Stone Age?

In today's fast-moving environment, that may as well be in the Stone Age. More than likely, your ERP was designed in an era where fax machines were still relevant, channels were slowly grown over time, and going global meant owning expensive global infrastructure to support growth.

The fact is that the world is innovating faster than ever, but ERP installations seem to stay frozen in time. It's hard to believe that an outdated, five-year old ERP system can be relevant to a business in a hyperactive world.

Technology has transformed the broader world of business software and consumer applications. Workers now interact through mobile devices and social media, and applications are increasingly connected together over the web. But many ERP

deployments have remained oblivious to these tectonic changes—it's as if the iPhone was never invented, social media was a futuristic concept, and connecting ERP to web channels was a funky concept for the dabbling few.

Today, it doesn't make a difference from which nation you originate or in which country you operate. However, there's a big difference between on-premises ERP and cloud-based ERP. On-premises ERP systems lock businesses onto a treadmill of annual maintenance fees, regular hardware upgrades, and costs to download the latest versions of software. Yet what good is it if you can't upgrade your ERP deployment to take advantage of change and keep your business running efficiently?



The business environment is changing faster than ever before. Is your ERP keeping pace?

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The Danger of Version-Locked ERP

The sad reality is that for almost every business, ‘version-lock’ is the Achilles heel of their on-premises ERP. Customisations to an ERP that seemed so innocuous at the beginning of an implementation years ago, have built up over time. Gradually, your ERP becomes hardened to change because an upgrade to on-premises technology means reimplementing and testing those customised changes, integrations, workflows and reports.

Faced with outsized risk, cost and resource requirements for what may seem like an incremental upgrade, your company can be effectively forced into ‘version-lock’ with an aging ERP system that’s increasingly out of alignment with the needs of the business. Your users begin working around your system with unproductive manual processes and spreadsheets to fill in the functional gaps that have grown over time.

With businesses already spending an average of 5% of their revenue on IT operating and capital budgets, there’s no real desire to further erode margins by growing the IT budget without delivering sustained transformational value and real competitive advantage.

Does running an aging, out-of-date ERP really damage your business? Does it matter if your ERP is ‘version-locked?’ After all, isn’t it simply automating the same old accounting processes that haven’t changed in decades? The reality is that the damage is real, and while your ERP has your business stuck in the mud, your competitors are not standing still. Your business needs ERP that supports real transformation, and that outdated ERP system you’re running, simply isn’t aligned with the business environment in which you and your competitors operate.

CHAPTER 2

The Eight Ways Version-Locked ERP Damages Your Business

Back in the early 1990s, change happened less rapidly. Product cycles were slower, communication occurred mostly by telephone and fax, and email was still a novelty. If you wanted to boost sales, you hired more sales personnel. Back then you could afford to move ‘a little slower’—but over the last few years, the pace of business and innovation has accelerated dramatically.

Today’s speed of change places stresses on business process. Worker expectations have changed on how they want to engage with your business systems. And your customers have changed the way they want to engage with you. Businesses can now go global in an instant. Ecommerce has opened up new sales and customer service channels, and the last decade has seen the birth of several hyper-growth companies.

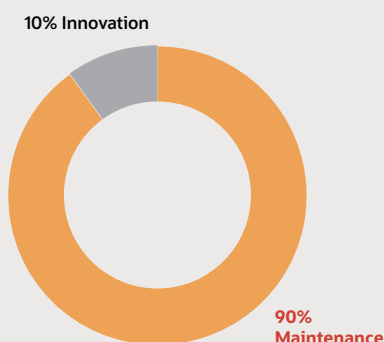
Owning an ERP system that can only be upgraded every four or five years (at best) is simply not enough to maintain competitiveness with your peers. Business and technology are now

moving so quickly that even if you do invest six months and \$1.5 million in an ERP upgrade, the end-result will most likely be out of date by the time it’s completed. Worse still, old ERP is fundamentally incompatible with the way companies need to be structured for success.

It’s time to explore in detail the eight ways that your aging ERP system is holding back your business.

1. Legacy ERP drains the innovation from your IT budget.

The key to knowing how aligned your ERP systems are with your business imperatives is measuring how much of the IT budget is devoted to innovation rather than maintenance. How much of IT’s time can you devote to addressing new business requirements, rather than day-to-day operations such as patches, fixes, support calls and managing your infrastructure? Take a hard look at the aging, version-locked ERP system that you are running right now, and do the maths.



How much of your IT budget is devoted to innovation rather than maintenance? If your IT budget allocation looks like this, you can blame your outdated on-premises ERP.

Up to 90% of a company's IT budget is known to be used up by decentralised business systems, leaving hardly any room for innovation.

Subsequent recurring maintenance fees, infrastructure upgrades, integrations and ongoing IT maintenance can quickly consume the IT budget.

Simply changing the equation and reallocating the IT budget from maintenance to innovation is almost impossible with old ERP, because every costly old on-premises ERP upgrade, patch and fix is 'opportunity cost'—money and time that isn't spent on tailoring ERP to meet the needs of the business. Worse still, businesses have little left over for managing core areas such as security and reliability. For example, does your business have budget left over to manage a second data centre?

But your competitors are already changing their budget allocations—and moving to the cloud can significantly reduce your IT infrastructure costs.

A move to the cloud can lower your total cost of ownership, as a cloud-based system does not require as much hardware, upgrades, patches and

upkeep personnel on a regular basis, compared to the continuing cost burden of on-premises ERP. That's because on-premises ERP systems are installed locally on an organisation's own computers and servers, while cloud ERP is hosted on the provider's servers.

Companies going to the cloud are thus able to reduce spend on maintenance, and increase spend on such value-added activities such as creating new cross-functional workflows and reporting processes, adding sales channels, entering new markets, and improving connectedness between internal and external systems.

That adds up to a decided competitive advantage, while the business gains enterprise security, redundancy and data recovery that would be cost-prohibitive as internal company initiatives.

2. Business regulations demand fluidity—brittle and outdated ERP fails to keep pace.

The accounting and regulatory environment is in constant flux as governments tighten fiscal policy through sales and corporate tax changes, or accounting bodies implement more stringent requirements.



These kinds of changes place enormous pressure on finance organisations and an out-of-date ERP is simply not designed with change in mind. How could your legacy ERP install in 2005 have ever known about revenue recognition changes that would be coming in 10 years later?

The gulf between your ERP and your current business operating environment is filled with spreadsheets and headcount. This is the 'glue' that fills the gap that your ERP was meant to automate. Revenue recognition schedules suddenly migrate to spreadsheets, local geo tax reports get massaged through CSV exports and manual entry, and sales tax calculations suddenly start becoming error-prone disasters.

The fact is that your on-premises ERP will never track with change—because on the rare occasion you upgrade it, the operating environment will already have changed and spreadsheets and staff once again rush to fill the gap.

Has your operating environment changed but your ERP stayed the same? Welcome to spreadsheet hell. In contrast, cloud-based ERP aligns continuously with your operating environment. It applies the same philosophy to corporate ERP that's behind web-based applications, so you're always up-to-date to adhere to the latest accounting rules, tax regulations and compliance standards.

These upgrades are rolled out regularly by the cloud ERP vendor as necessary and while you sleep, your ERP is updated with the latest regulations and requirements. The result is less risk, less headcount and more time spent on strategic rather than operational tasks.

3. Aging ERP slows down your business velocity.

The web enables business to go global instantly—reaching many millions of customers in a year or two, whereas it used to take a decade or more

to make that type of progress. Some of today's fast growing publicly traded companies are growing because they are not shackled to their on-premises ERP systems.

“NetSuite requires as little as 10% of the implementation effort normally associated with an ERP deployment.” Nucleus Research

Had these companies relied on an upgrade to the installation of their on-premises ERP system to take advantage of innovation, who knows where they'd be today? Your ability to compete is diminished if you're running an aging install of an on-premises system that was designed for when businesses grew incrementally—country by country, market by market, over years and decades.

The old way of doing business meant deploying multiple ERP instances and databases for each market. It meant hiring IT in each location, setting up offices, procuring software and hardware, and enduring arduous setup processes. The constraining factors for business growth were IT budget, resources and time.

Cloud applications like NetSuite provide the engine to drive growth, enabling businesses to lay down an applications footprint for each country and subsidiary in weeks—not months or years.

Cloud ERP spares businesses from having to worry about scaling up expensive IT resources and having to make large capital expenditures on IT infrastructure. The result is velocity that creates a true competitive advantage.

4. A mobile workforce battles immobile and outdated ERP.

The millennial generation entering the workforce demand easy-to-use systems that mirror social tools or online shopping and increasingly blur the lines between work and home life.

Putting the right person in the right place with the right tools remains the best way for a company of any size to stay competitive. But if your ERP system was designed for when work was done in the office cube, and consumer computing and business computing were clearly separated, then you face problems.

Using outdated ERP means either completely giving up on accessing your information from anywhere outside of your office, struggling for access over sloth-like connections, or enduring painfully slow client server experiences over virtual private networks (VPNs)—not to mention the associated IT and maintenance costs.

It also means having no visibility into business operations when travelling, or having to commute into the office to approve a sales order. The result is your employees are simply less productive than they could be and you make decisions more slowly, based on outdated information.

Old ERP was never designed for the post-PC era of the 'anytime, anywhere' workforce, but cloud applications are. In fact, no matter how much you upgrade your old PC-era ERP system, it will never be easy to access over mobile devices because it was not initially architected with the web in mind and, in some cases, was engineered before the internet was invented.

On the other hand, web-based cloud ERP applications are optimised for bringing the world of mobile computing together with ERP, enabling your employees to monitor and manage the business from anywhere on any device. For example, without any IT setup work, NetSuite cloud ERP can easily be accessed from anywhere at any time, via any web browser, whether

“NetSuite has enabled us to centralise information and reach information anywhere on any device. The automisation has helped improve our ways of working, it's had a direct impact on our business.” Novasol Chemicals

that's Google Chrome, Apple Safari, Microsoft Edge or Mozilla Firefox—and any mobile device, including iPads, Android tablets, iPhones, Android smartphones, along with the next type of device that hits the market.

5. Centralised old ERP hinders the increasingly decentralised business.

It's not just workers that are becoming mobile. Businesses as a whole are becoming more distributed. To compete, businesses are looking to achieve agility and fluidity in their business structure. In a globalised world, businesses need to be able to choose where work takes place based on cost, timeliness and the ability to maintain and adapt an elastic workforce.

Today's businesses are running operations in multiple locations and maximising efficiency with offshoring and remote workers. But last generation's ERP was never designed with this in mind, requiring hefty Windows clients and heavyweight software in each location. Old ERP forces you into an expensive centralised structure, unless you can afford to send out IT teams to every corner of the globe.

It means maintaining desktops at multiple locations, upgrading clients, and dealing with information fragmentation across local desktops. Businesses want to decentralise while maintaining visibility and control, but old ERP holds them back from achieving those goals.

Cloud computing enables the distributed ‘elastic’ business—enabling the extended workforce to access applications from anywhere around the world, offshore staffing as it makes sense, as well as easily scale up or down, whenever that is needed. They can operate on a true ‘follow-the-sun’ model and not be limited by the constraints of centralised ERP or be dependent on local IT resources.

6. Legacy ERP fails to satisfy the appetite for real-time information.

If you’re running legacy ERP, you know the score. Your business is running on spreadsheets, and management reporting is an onerous and error-prone exercise. You’ve got employees dedicated to the job of simply reporting, or reporting consumes the majority of their day.

More often than not, it takes days to assemble bookings, billings, reports on backlogs, or to complete the periodic budgeting and forecasting process. You’re constantly struggling to unlock data that’s buried in the ERP (or other disconnected systems and spreadsheets).

Amazingly, while businesses can today measure ad performance, marketing campaign responses, and the number of unique visitors to their website in real time, core financial management reporting remains measured in weeks and business days.

According to [a recent global study by FDM4](#), the top five trends to watch out for, and embrace, are the following:

- **Mobile ERP** – Now more than ever, people are using their mobile devices to do business and access websites, with massive ramifications for businesses everywhere.
- **Cloud ERP** – Although not new, its widespread uptake and rapid evolution is quickly making cloud-delivered ERP the new industry standard.
- **Advanced Technologies** – The Internet of Things (IoT), direct machine integration and analytics create a powerful system of data collection, storage and comprehension.

- **Omnichannel Strategies** – All sales channels are integrated into one management system to create a seamless purchasing journey for customers, whether they use online, mobile, in-store or a combination of channels.
- **Additive Manufacturing** – 3D printing is positively changing the manufacturing industry, yet to successfully integrate it into your processes is pretty much impossible with previous-generation ERP.

There is certainly a gulf between what financial managers need and what their ERP is delivering. Out-of-date spreadsheets emailed among managers are simply not enough. Your legacy ERP is starving your business of information, forcing you to make strategic and tactical decisions based on out-of-date, incomplete or simply erroneous data.

To compete, businesses need an ERP designed for today’s needs, not the needs of yesteryear. BI and analytics should be part and parcel of the ERP experience. BI has to empower every employee with personalised key performance indicators (KPIs) in real time, enable them to get down to the invoice behind that days sales outstanding (DSO) threshold metric, gain visibility across the complete business, and create and share their own reports with self-service tools.

“Without NetSuite, we would not have been able to function properly. Our old ERP system was on-premises, and things weren’t connected. Information didn’t flow in the same way as it does now.”

GetBusy

Combining the mobility and distributed access enabled by the cloud, with real-time analytics, puts your company firmly on the path to true competitive advantage—enabling workers across the extended business to collaborate and achieve alignment, no matter where their location and without days of delay. Cloud ERP like NetSuite eliminates the gap between the demand for analytics, your business processes, and the decisions you need to make based on both of these critical elements.

7. Stone Age ERP walls your business off from suppliers, channels and customers.

Everything has become connected through the cloud. Your customers are no longer content to wait on the phone to check an order; they want to browse your website to get their order status right now or get a status update texted to their mobile. Your suppliers stand ready to drop-ship your orders in real time rather than forcing you to tie up capital in inventory.

Your website is increasingly your principal storefront, and customers judge your business by the level of service it provides. Your operations have to be interconnected with customers, suppliers and partners, enabling a real-time information exchange on demand.

But your out-of-date on-premises ERP deployment was never designed for such an interconnected world—forcing you to deploy expensive adapters, third-party applications and CSV exports. In short, Stone Age ERP was never designed to be connected across so many touchpoints and with so many external stakeholders—they're simply not service-oriented systems.

As the web increasingly becomes the medium for information exchange, your on-premises ERP is increasingly a source of trouble and a silo—disconnected and out of sync. The impact is multifaceted. Your customers are frustrated if they can't easily view pricing and inventory information on your website, or check the status of orders or returns. You're frustrated if you can't switch suppliers on demand, because the effort requires yet more expensive integrations.

In contrast, cloud ERP applications were designed to connect with other platforms and web applications within your enterprise and beyond. Designed from the ground up to be service-oriented and always-on, cloud ERP makes it easy to synchronise your back-end and front-office with your website in real time and connect to the extended enterprise.



Your customers see their orders and returns in real time. Your suppliers are able to fulfil your customer orders, as they process in your ERP. Your stock levels are always up-to-date, providing visibility for your sales and service reps as well as customers browsing through online retail channels that are popular in your areas of operation.

8. Old ERP is a barrier between your employees and self-service.

Are you part of a self-service business? Can your employees enter time and expenses themselves into the ERP, or does someone need to rekey it for them? Can an accounting manager quickly implement a new purchase order process, or do you need to wait weeks for IT to do it? Can your finance team easily change the invoice template, or add another field to a customer record themselves? If none of this rings true, don't blame your co-workers—blame your ERP.

Stone Age ERP was designed when businesses were top-heavy in general administration—when it was standard practice to have someone assigned to rekeying Purchase Orders or time and expense entries. Back then, a manager could offload his reporting to the finance staff, and you could hire another IT guy to make an ERP process change.

Cloud ERP is designed for lean businesses and uses the power of the web to drive employee self-service, just as the web has securely transformed online banking and customer self-service systems.

As banks have known for years, empowering customers with self-service through the web, increases profitability and reduces waste that goes straight to the bottom line.

Employees who use the cloud gain self-service efficiencies that aren't possible to achieve with old ERP. They can submit time and expense reports or purchase orders, even enter receipts directly into the ERP anywhere from a web page or mobile device. Once these transactions are submitted, it's just a matter of online approval. Managing change is also self-service, with graphical workflows, forms and schema changes that require no delay or IT involvement. Even reporting (a function long offloaded to 'reporting analysts') can be performed by managers themselves.

CHAPTER 3

From Version-Locked Outdated ERP to ‘Version-Less’ Cloud ERP

Cloud ERP frees businesses from the brittle, inflexible and change resistant ERP of the past. With the cloud, businesses can run on ERP that is ‘version-less’—meaning that businesses get the latest innovations automatically, from new features to support for the latest regulations. No more waiting, no more costly upgrades, no more upgrade risk. No more outdated ERP.

Version-less cloud ERP enables enterprises to experience ERP innovation as fast as consumers experience innovation in the enhanced web apps they use every day. It continuously aligns your ERP with your business operating environment.

“With NetSuite, we’ve got a robust ERP solution.” Cox & Cox

Better still, enterprises no longer have to live in fear of customisations acting like ‘silicon concrete’, hardening their ERP to change and slowing their business to a crawl. They can finally customise their ERP with confidence, because with cloud ERP, customisations migrate automatically with every new release. So customisation no longer becomes a barrier to innovation.



CHAPTER 4

The Competitive Advantage of Cloud ERP

Cloud adoption can unlock strategic value in ways that go well beyond cost savings.

Why make the move now? Consider the alternative. Remaining on version-locked systems means high on-going costs, distraction from focusing on what matters most, and putting up with a continuing

drag on business agility. And ultimately, that means falling behind your competitors.

In today's business environment, businesses simply can't afford to ignore these competitive factors and advantages:

	Competitive Advantage	NetSuite Cloud	On-Premises ERP
1	Realign towards innovation focused IT spend.	Yes	No
2	Reduce risk and resources through continuous regulatory alignment.	Yes	No
3	Enable business velocity without scaling cost structure.	Yes	No
4	Empower the mobile workforce.	Yes	No
5	Create a distributed, decentralised business.	Yes	No
6	Close the "analytics gap".	Yes	No
7	Drive the "connected" business with suppliers, channels and customers.	Yes	No
8	Equip your employees for self-service.	Yes	No

About Oracle NetSuite

For more than 20 years, Oracle NetSuite has helped organisations grow, scale and adapt to change. NetSuite provides an integrated system that includes financials / Enterprise Resource Planning (ERP), inventory management, HR, professional services automation and omnichannel commerce, used by more than 27,000 customers in 215 countries and dependent territories.



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