



WHITE PAPER

MANAGING CHANGE EFFECTIVELY WITH ERP:

The impact on 5 key business functions

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EXECUTIVE OVERVIEW

If your critical business data resides in different business systems or spreadsheets and your everyday processes are not disciplined, your business lacks the agility to respond to change. These changes can range from an increase in demand because of a customer's shortened delivery time or several new large orders, to a geographic expansion of your supply chain with global reaches, to changes in trends that require new product introductions. As a result, your management team is forced into a perpetual state of reaction to minimize the impact of these changes.

A flexible ERP system can be the foundation for a complete overhaul of your business processes and enable the agility you need to accommodate virtually any type of change—quickly, easily, and cost-effectively. A flexible ERP system provides two key capabilities and benefits:

- ▶ Linking your disparate systems and automating the movement of information throughout your business provide executives in your management chain with visibility into real-time business data, enabling the best decision-making possible.
- ▶ Creating highly disciplined workflows provides the process consistency required to enable highly dependable outcomes, regardless of what type of change may occur in your business.

This white paper examines the impact of using disparate systems versus an integrated ERP system on your manufacturing operations. The detailed charts on the following pages document the effect of each on your core business areas and the associated core management team: your sales executive, plant manager, VP of operations, VP of finance, and supply chain executives. They also provide insight into how the inefficiencies associated with change management today can be easily and cost-effectively eliminated.

YOUR PROCESS CAN MAKE “CHANGE” A DIRTY WORD

If your business data resides in separate systems, you depend on people to manually create the necessary bridges between those systems in order to manage your business. Sales managers, plant managers, VPs of operations and finance, and supply chain executives are forced to trade spreadsheets and manually manipulate data to forecast sales, respond to proposals, manage inventory and production schedules, and determine product pricing.

While these manual processes may seem to serve your business well today, in reality, there are multiple issues that are likely impacting your margins, your profitability, and your ability to handle change and respond to competitive pressures.

Reduced productivity for your most valuable knowledge workers—Manually collecting, entering, and analyzing data adds time to your business processes, expanding instead of contracting cycle times. Manual processes result in longer times to respond to requests for proposals, forecast sales, and ultimately deliver product, affecting everything from margins to cash flow.

Data inaccuracies—When data is manually manipulated outside your system and moved within and between divisions, data entry errors are inevitable. For example, an error in sales and inventory projections can result in a costly out-of-stock condition that brings the production line to an unplanned halt, affecting the ability to meet delivery deadlines.

Lack of timely data—By the time data has been compiled into meaningful reports to support critical decision-making, the information has aged considerably—by days and even weeks. If demand changes more frequently, larger stocking inventories are required to prevent costly out-of-stocks. The result is fewer inventory turns, leading to higher inventory-carrying costs that increase the cost of your products and reduce your margins, impacting your ability to compete.

Inability to handle change—Since data is not readily visible and processes are not clearly defined, it becomes increasingly difficult to respond quickly to any change—from day-to-day issues involving a supplier that is unable to perform as promised, new regulatory requirements, a new manufacturing process, or a move into global markets. Instead of consistent procedures that produce dependable results, your processes are loosely defined by the workers who are responsible for their execution. If there is a lack of consistency in your processes, you are outside the “change loop.”

In a closed supply chain where you have strong established relationships with customers and suppliers that are nearby, you can easily manage high variability. But when customers and suppliers are located across the country or halfway around the globe, variability and limited visibility can rapidly magnify issues. If you cannot respond rapidly enough to change and demand, delivery times may be compromised, impacting customer service, satisfaction, and retention levels.

The end result is that when your business depends on manual processes and disparate systems, you are forced to react to accommodate change, rather than rely on your business processes to manage the change.

THE SOLUTION: A FLEXIBLE ERP SYSTEM FOR CONSISTENCY, PROFITABILITY

A flexible ERP system can fortify your operations to best handle change by letting you provide any business division and any employee with the data required to improve decision-making and respond rapidly to virtually any changing condition—regardless of whether data is needed from one or multiple systems. With the right ERP system, you can overlay your business processes onto your business systems to provide the timeliness and consistency to manage variability, eliminating the need and

high cost of integrating your existing systems. Instead, you simply define the processes and where the data resides to execute those processes. The result is a cost-effective yet unmatched ability to streamline your operations—and best manage change.

Paper-based manual processes are eliminated. Information flows rapidly throughout your operations the moment it appears in your systems. As a result, every person in your enterprise can act as efficiently and effectively as possible, concentrating on better managing the business based on timely information, rather than wasting time collecting and analyzing aging data.

Finally, manual ad hoc processes are replaced with disciplined processes to achieve peak business flexibility and efficiency. Although the word “discipline” traditionally evokes thoughts of rigidity, disciplined processes are exactly the opposite—they become flexible. Highly disciplined procedures allow one automotive giant to produce multiple models on one assembly line. Visibility into demand in real time enables just-in-time ordering of the right materials, and disciplined processes ensure that the right parts for different vehicles arrive at the right assembly line at the right time. Production-line real estate and staffing requirements are minimized, improving use of these crucial business resources. And the company can easily adapt to changing automotive trends, yet minimize costs, increase margins, and reduce delivery times.

THE IMPACT OF A FLEXIBLE ERP SYSTEM ON YOUR MANAGEMENT TEAM

The ability to treat all your disparate business systems as one cohesive system dramatically impacts the day-to-day productivity and effectiveness of your management staff. The following charts detail the tasks and inefficiencies associated with manual procedures as well as the change to new streamlined procedures and their benefits for the following positions:

- ▶ Sales executive or manager
- ▶ Supply chain executive
- ▶ Plant manager
- ▶ VP of operations
- ▶ Finance executive

POSITION: SALES EXECUTIVE OR MANAGER

“Sales is the engine that drives growth. It is what great companies do best.”

Without a flexible ERP system, the sales executive or manager is placed in a reactive mode of chasing data and spending time pulling data together, instead of spending time improving sales performance. With deployment of a system that enables disciplined and consistent processes, sales executives are free to focus on delivering orders and a reliable forecast, while also servicing customers.

Typical Activities or Processes
<ul style="list-style-type: none"> ▶ Managing sales team actuals and measuring against forecast (quota) ▶ Managing sales team expenditures ▶ Increasing sales revenue while maintaining margins ▶ Measuring field performance ▶ Quoting process disconnected from actual costs; inability to effectively discern “good” margin from “bad” ▶ Tracking orders after receipt ▶ Providing accurate, sustainable promise dates to customers ▶ Managing sales issues in multiple countries when customer relocates offshore ▶ Connecting forecast to demand to operations ▶ Providing metrics to the CEO on sales effectiveness

BEFORE: MANUAL PROCESSES

Reactive Management: Day-to-Day Tasks	Business Inefficiencies
<ul style="list-style-type: none"> ▶ Manage multiple systems. ▶ Wait for IT to deliver raw data or reports with latent data that is rarely timely. ▶ Move raw data into Excel to create and run common calculations, which can take several days. ▶ Once calculations are complete, move the information into a format for valid forecasting, which can take a few more days. ▶ Make numerous phone calls, plant visits, or permanent staffing for expediting orders. ▶ Perform demand forecasting and communication through ad hoc meetings and emails. ▶ Find out via email, phone call, or offline analysis that an order was not placed or cancelled. 	<ul style="list-style-type: none"> ▶ Large sales operations staff for tracking information ▶ Unproductive sales people spending too much time entering or tracking orders ▶ Lack of visibility into the sales pipeline ▶ Dedicated staff using the phone, email, and plant visits to track customer orders ▶ Inability to provide realistic and acceptable promise dates to customers ▶ Pricing system disconnected from actual costs, leading to a lack of consistent margin ▶ Inability to predict and communicate shorts and back orders ▶ Higher inventory and reduced customer service levels due to an undisciplined connection between sales and operations (S&OP)

AFTER: FLEXIBLE ERP SYSTEM

Proactive Management: Day-to-Day Tasks	Benefits of a Flexible ERP System
<ul style="list-style-type: none"> ▶ A single system providing all information ▶ Configurable automatic reports ▶ Many automated sales operations tasks ▶ Delivery of a fast-cycle S&OP forecast ▶ Order tracking in a single system without requiring a flurry of phone calls or an army of people/expeditors searching the plant ▶ Immediate and automated notification of order changes or cancellation ▶ A foundation for a consistent S&OP process ▶ Metrics provided on operational performance for all direct reports 	<ul style="list-style-type: none"> ▶ Improved productivity of sales personnel ▶ Faster and more detailed monthly sales reporting ▶ Improved pipeline management ▶ Reduced administrative labor in order tracking ▶ Elimination of order expediting ▶ Improved customer service through better order tracking and ability to set and manage to realistic delivery dates ▶ Improved shorts and back order process ▶ More accurate cost information that leads to better margins and higher win ratios

POSITION: SUPPLY CHAIN EXECUTIVE

“Visibility into our suppliers’ abilities and performance gives the needed visibility into ours.”

Lack of a flexible ERP system places the supply chain executive in a reactive mode, with a great deal of time spent chasing data and pulling data together into a form that can be properly analyzed, instead of spending time improving supply chain performance. With the deployment of a system that enables disciplined and consistent processes, the supply chain executive is free to focus on supporting operations and reducing material costs, while continuing to service customer needs.

Typical Activities or Processes

- ▶ Balancing inventory levels with manufacturing use
- ▶ Managing changing and distant supplier base as more suppliers locate offshore
- ▶ Maintaining delivery dates while squeezing inventory
- ▶ Maintaining accurate supply chain levels while reducing labor
- ▶ Measuring supply chain performance

BEFORE: MANUAL PROCESSES

Reactive Management: Day-to-Day Tasks	Business Inefficiencies
<ul style="list-style-type: none"> ▶ Log into multiple systems that may be wholly represented by Excel spreadsheets. ▶ Wait for IT to deliver raw data or reports with latent data that is rarely timely. ▶ Move raw data into Excel to create and run common calculations, which can take several days. ▶ Once analysis is complete, put financial metrics into a report or format for proper decision-making. ▶ Find out via email, phone call, or offline analysis that an issue has developed, often too late to put immediate corrective action in place. 	<ul style="list-style-type: none"> ▶ Higher inventory levels to compensate for supply chain unknowns ▶ Higher labor costs to manage warehouse and maintain delivery ▶ Higher stock-outs due to lack of visibility into demand and suppliers ▶ Higher material costs due to the inability to manage suppliers efficiently ▶ Lower service level due to lack of realtime visibility ▶ More frequent audits and physical counts because of information cycle on inventory put-aways and pulls

AFTER: FLEXIBLE ERP SYSTEM

Proactive Management: Day-to-Day Tasks	Benefits of a Flexible ERP System
<ul style="list-style-type: none"> ▶ A single system provides all information ▶ Configurable automatic reports ▶ Immediate access to real-time inventory, shipping status, and delivery dates ▶ Immediate reporting of issues to operations and sales ▶ Automated tracking of supplier performance ▶ Automated order tracking ▶ Real-time sales and operations planning 	<ul style="list-style-type: none"> ▶ Reduced inventory and inventory management costs ▶ Improved productivity of material handlers and warehouse workers ▶ Less frequent and more accurate physical inventories ▶ Greater visibility into demand ▶ Ability to view pipeline by probability by sales executive ▶ Service level to operations ▶ Optimized manufacturing use as delivery from inventory improves

POSITION: PLANT MANAGER

“Having the right information at the right time is the foundation for rapid decision-making.”

When information resides in disjointed systems and requires manual data collection and analysis, the plant manager cannot access the timely data required to make the best decisions. With the deployment of a flexible ERP system that enables disciplined and consistent processes, plant managers are free to focus on plant operations, while continuing to meet the service levels your customers expect.

Typical Activities or Processes

- ▶ Balancing manufacturing operations vs. outsourcing
- ▶ Measuring true cost of operations
- ▶ Managing dynamic planning and scheduling, along with shifting demands
- ▶ More offshore customers, requiring better planning
- ▶ Inconsistent processes that depend heavily on a few key people
- ▶ Unreliable and inconsistent metrics that require significant manual report development

BEFORE: MANUAL PROCESSES

Reactive Management: Day-to-Day Tasks	Business Inefficiencies
<ul style="list-style-type: none"> ▶ Log into multiple ERP systems. ▶ Integrate numerous manual processes. ▶ Wait for IT to deliver raw data or reports with latent data that is rarely timely. ▶ Manually enter information into spreadsheets to integrate data from multiple systems. ▶ Use available bodies to track down information and react to unplanned changes or disruptions. ▶ Find out via email, phone call, or offline analysis that an issue has developed, often too late to put immediate corrective action in place. ▶ Use educated guesses for determining available resources. ▶ Use outdated costing information for product quoting and pricing. 	<ul style="list-style-type: none"> ▶ Extra labor required to provide the flexibility to address changing demands, unforeseen issues, and the inability to level resources for demand ▶ Higher WIP due to lack of optimized planning and KanBan management ▶ Higher scrap due to lack of visibility into order dispositions ▶ High labor and disruption for physical inventories due to lack of visibility into usage and demand ▶ Low delivery rates due to inability to plan and accurately commit ▶ Lower asset use from lack of maintenance planning ▶ Disruptions due to lack of inventory planning visibility

AFTER: FLEXIBLE ERP SYSTEM

Proactive Management: Day-to-Day Tasks	Benefits of a Flexible ERP System
<ul style="list-style-type: none"> ▶ A single system for all information ▶ Configurable automatic reports ▶ Immediate access to resources, costing information, asset availability, and delivery status ▶ Immediate reporting of issues to the warehouse, procurement, and sales ▶ Automated tracking of the resource planning process ▶ A flexible scheduling system that can react to changes with minimal disruption ▶ Automated order tracking ▶ A foundation for consistent S&OP 	<ul style="list-style-type: none"> ▶ Improved productivity of both direct and indirect labor ▶ Reduced WIP ▶ Improved quality and reduced scrap ▶ Less frequent and more accurate physical inventories ▶ More visibility into resource leveling ▶ Visibility into demand ▶ Improved delivery and commitments ▶ Improved manufacturing use as delivery from inventory improves ▶ Improved asset use

POSITION: VP OF OPERATIONS

“Having the discipline for consistent processes is what makes a company successful in manufacturing.”

Disjointed systems require manual data collection and analysis, preventing the VP of operations from accessing the timely data required to make the best decisions. With the deployment of a flexible ERP system that enables disciplined and consistent processes, operations executives are free to focus on balancing resource allocations, customer service, and cost management.

Typical Activities or Processes

- ▶ Balancing manufacturing operations vs. outsourcing
- ▶ Measuring true cost of operations
- ▶ Managing dynamic planning and scheduling, along with shifting demands
- ▶ More offshore customers, requiring better planning
- ▶ Inconsistent process that depends heavily on a few key people
- ▶ Unreliable and inconsistent metrics that require significant manual development

BEFORE: MANUAL PROCESSES

Reactive Management: Day-to-Day Tasks

- ▶ Log into multiple ERP or finance systems.
- ▶ Wait for IT to deliver raw data or reports with latent data that is rarely timely.
- ▶ Manually enter information into spreadsheets to integrate data from multiple systems.
- ▶ Conduct frequent meetings to keep information flowing between units and processes.
- ▶ Find out via email, phone call, or offline analysis that an issue has developed, often too late to put immediate corrective action in place.
- ▶ Engage in frequent informal discussions with sales to determine demand and execute planning.
- ▶ Use outdated costing information for product quoting and pricing.

Business Inefficiencies

- ▶ High material costs due to lack of tight relationship between material planning and operations
- ▶ Lower quality because of limited information on disposition of scrapped product and customer issues
- ▶ Lower productivity due to limited visibility into demand, driving poor labor leveling
- ▶ Dedicated staff for tracking orders and dispositions
- ▶ Lower asset use from lack of maintenance planning
- ▶ Limited S&OP process leading to poor resource leveling and material planning (high inventory)

AFTER: FLEXIBLE ERP SYSTEM

Proactive Management: Day-to-Day Tasks

- ▶ A single system for all information
- ▶ Configurable automatic reports
- ▶ Immediate access to resources, costing information, asset availability, and delivery status
- ▶ Immediate reporting on issues to executive management, finance, procurement, and sales
- ▶ A project tracking system that includes cost management
- ▶ A flexible scheduling system that can react to changes with minimal disruption
- ▶ A foundation for a consistent S&OP process

Benefits of a Flexible ERP System

- ▶ Reduced material costs
- ▶ Improved quality and reduced scrap
- ▶ An S&OP process that aligns sales demand, materials planning, and operational planning
- ▶ More visibility into resource leveling
- ▶ Improved delivery and commitments
- ▶ Improved manufacturing use as delivery from inventory improves
- ▶ Improved asset use
- ▶ More accurate cost information that leads to better margins and higher win ratios

POSITION: FINANCE EXECUTIVE

“Finance is the key group for measuring the ultimate performance of the company.”

When disjointed systems and manual procedures require finance executives to manually collect and analyze data, the result is outdated cash flow information and long delays in closing the books. A flexible ERP system automates the data collection process. The required accurate information is always available with just a few keystrokes, and finance executives are free to focus on the initiatives that protect and improve the company’s financial health—from cash management to regulatory reporting.

Typical Activities or Processes

- ▶ Tracking cash flow in a useful cycle time
- ▶ Extending payment terms from offshore customers
- ▶ Managing complicated tax compliance issues
- ▶ Obtaining visibility into actual operations costing
- ▶ Taking too long to close books
- ▶ Providing timely metrics to the CEO for effective decision-making

BEFORE: MANUAL PROCESSES

Reactive Management: Day-to-Day Tasks	Business Inefficiencies
<ul style="list-style-type: none"> ▶ Log into multiple ERP and financial systems. ▶ Wait for IT to deliver raw data or reports with latent data that is rarely timely. ▶ Move raw data into Excel to create and run common calculations, which can take several days. ▶ Once analysis is complete, put financial metrics into a report or format for proper decision-making. ▶ Use large staffs of analysts for detailed analysis and reporting on all departments. ▶ Wait significant periods of time for analysis and reporting. ▶ Maintain outdated costing information through historical records instead of actual cost. 	<ul style="list-style-type: none"> ▶ Books closed too late, resulting in exposure to compliance issues ▶ Operating on an outdated cash flow, increasing the risk of either overextending or under-extending ▶ Increased staff (analysts and/or data entry personnel) to compile report financial information ▶ Inaccurate costing that can lead to overpricing product or margins that are too narrow to properly support the business

AFTER: FLEXIBLE ERP SYSTEM

Proactive Management: Day-to-Day Tasks	Benefits of a Flexible ERP System
<ul style="list-style-type: none"> ▶ A single system for all information ▶ Configurable automatic reports ▶ Immediate access to AR/AP status, costing information, asset information, pricing, material costs, labor costs, and inventory status ▶ Provide immediate reporting to executive management ▶ Monitor general ledger and cash flow status 	<ul style="list-style-type: none"> ▶ Improved analyst productivity ▶ Faster closing times and better accuracy ▶ An S&OP process that aligns sales demand, materials planning, and operational planning ▶ More visibility into cash status ▶ Improved asset use ▶ More accurate cost information that leads to better margins and higher win ratios

THE DEFINITION OF A FLEXIBLE ERP SYSTEM

While ERP systems accommodate standard processes such as accounts payable, accounts receivable, and resource planning, ERP systems are not all equal. Not all ERP systems also allow you to scale in terms of users to accommodate growth in staff.

One of the most important aspects of scalability is not related so much to the number of employees, but to the ability to help manage the process changes required to accommodate changes in the business. To best manage any type of change, you need the ability to add business process-focused components providing disciplined and consistent workflows to allow your business to flex and bend as needs change. Although typical ERP systems allow you to add standard modules such as product line marketing (PLM) or customer relationship management (CRM), you also need the flexibility to customize your processes for meeting your business needs, rather than requiring your processes to be tooled to the requirements of your ERP system. An ERP vendor who can provide open standards-based components allows the expansion of your ERP system as needed, with minimal deployment and integration costs.

Investing in an ERP system that meets these criteria will provide you with confidence that it will meet the challenges of today and tomorrow, preserving your core ERP investment well into the future.

SUMMARY: FLEXIBLE ERP SYSTEMS MEAN RAPID ROI

A flexible ERP system provides you with the power to respond to change—any kind of change. Access to timely data combines with process consistency and process discipline, dramatically streamlining everyday operational procedures and improving business flexibility. As a result, your business can easily adapt to virtually any changing condition, such as:

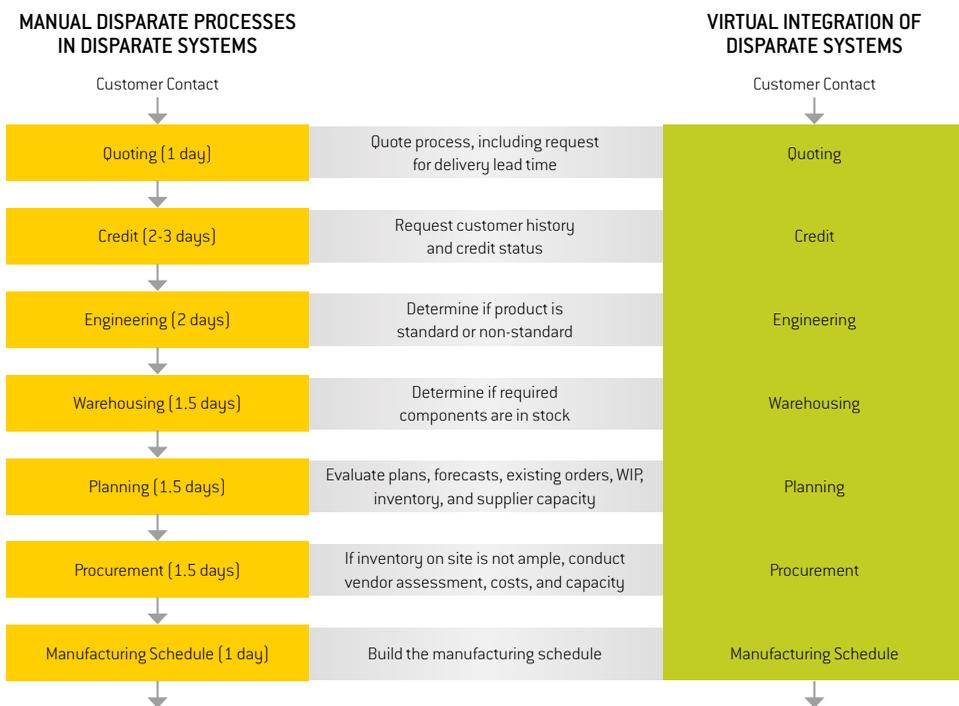
- ▶ An unexpected delay in a shipment of raw materials
- ▶ New government and industry regulations
- ▶ The need to develop new product to keep up with changing trends
- ▶ The need to collaborate with customers and suppliers who are no longer local—in different time zones with different computer systems and different languages

Business processes that previously took a week to 10 days can be shaved down to minutes, executed automatically by enabling the effective virtual integration of all your business systems (See Figure 1). The many benefits delivering a rapid ROI for this critical business solution include:

- ▶ Increased employee productivity
- ▶ Increased plant throughput
- ▶ Decreased inventory levels and work in process (WIP)
- ▶ Reduced operating costs
- ▶ Increased margins
- ▶ Increased profitability
- ▶ Improved cash flow—and order-to-cash cycle times
- ▶ Faster production turnaround times
- ▶ The ability to set and deliver on “capable to promise” (CTP) delivery dates
- ▶ Increased customer service, satisfaction, and retention

For more information on how your business can benefit from a flexible ERP system, please visit www.infor.com or contact sales@infor.com.

Figure 1: A flexible ERP system in action



When you choose the right ERP system, you gain the ability to seamlessly combine your business data into a single voice and view. The discrete manual and paper-based processes associated with separate systems are no longer required, replaced by a flexible solution that can grow as your business grows. The ability to move information electronically throughout your operations in real time automates everyday processes and eliminates paper, while providing a detailed audit trail and ensuring compliance with disciplined procedures. For example, the end-to-end process associated with a customer order can be completed in one-tenth of the time. And the resulting reduction in cycle times provides the business agility required to manage change today—and tomorrow.

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