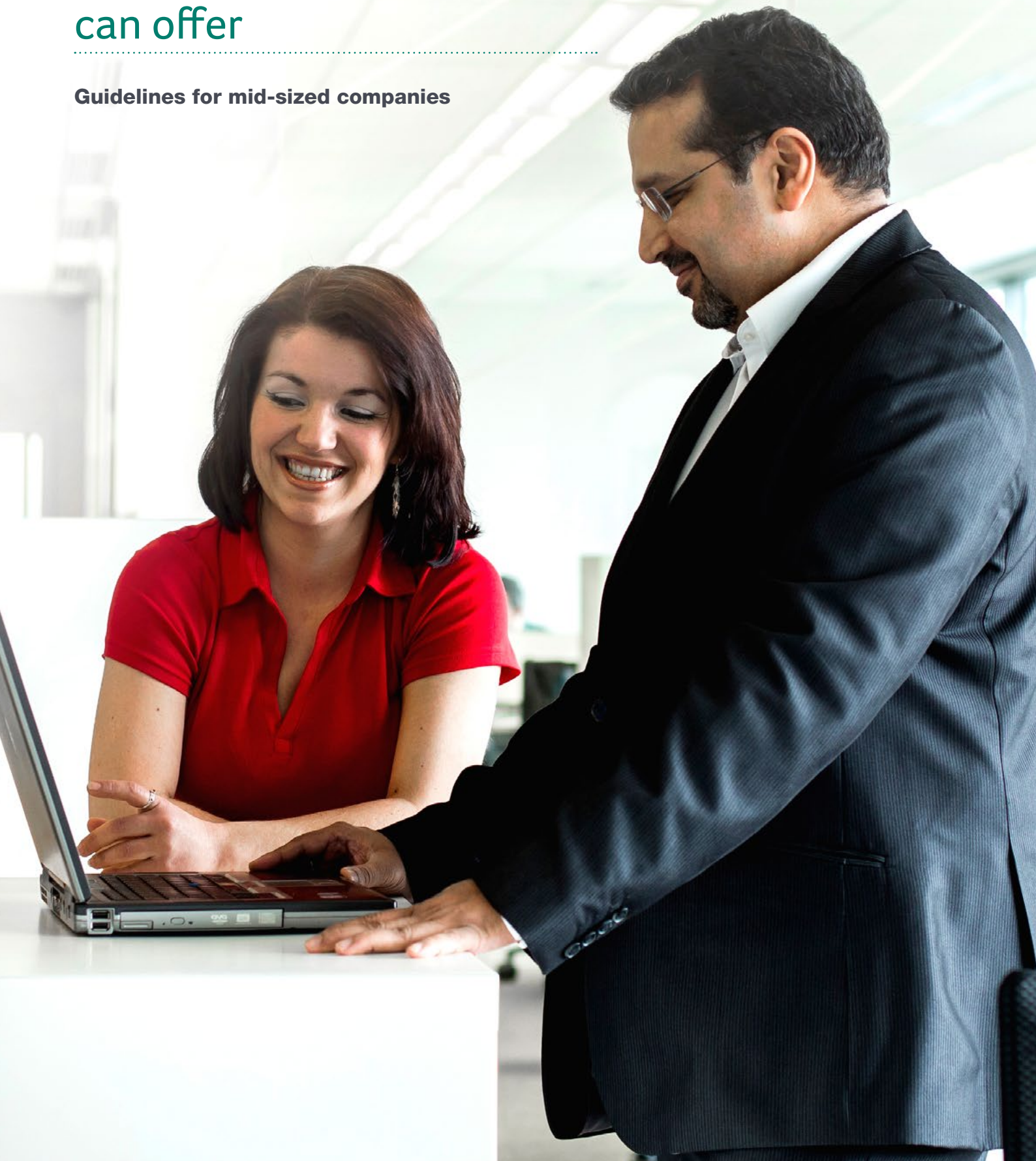

Success on an international scale: what an ERP system can offer

Guidelines for mid-sized companies



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Introduction

Globalisation is not just something that concerns large corporate groups. Mid-sized companies also benefit from the opportunities that arise from international business. However, they must contend with global competition at the same time.

This is a real challenge in times of huge pressure on prices and fierce competition. The support of a suitable software solution increases long-term chances of success. The following guidelines give an overview of what is important in international business, and what mid-sized companies should consider when selecting international enterprise software designed for mid-sized businesses.

Internationalisation in mid-sized businesses

Mid-sized businesses do not stop at internationalisation

An important company objective for many mid-sized companies is to have an international presence.

It gives them an opportunity to demonstrate their high innovative capacity on an international scale and to exploit lucrative new sales or procurement markets abroad. Foreign markets also provide additional sources of sales for trading activities. Businesses may also opt for international expansion in order to exploit specialist knowledge and to gain access to qualified or cheaper personnel.

The relocation of production sites also plays an, albeit smaller, role.

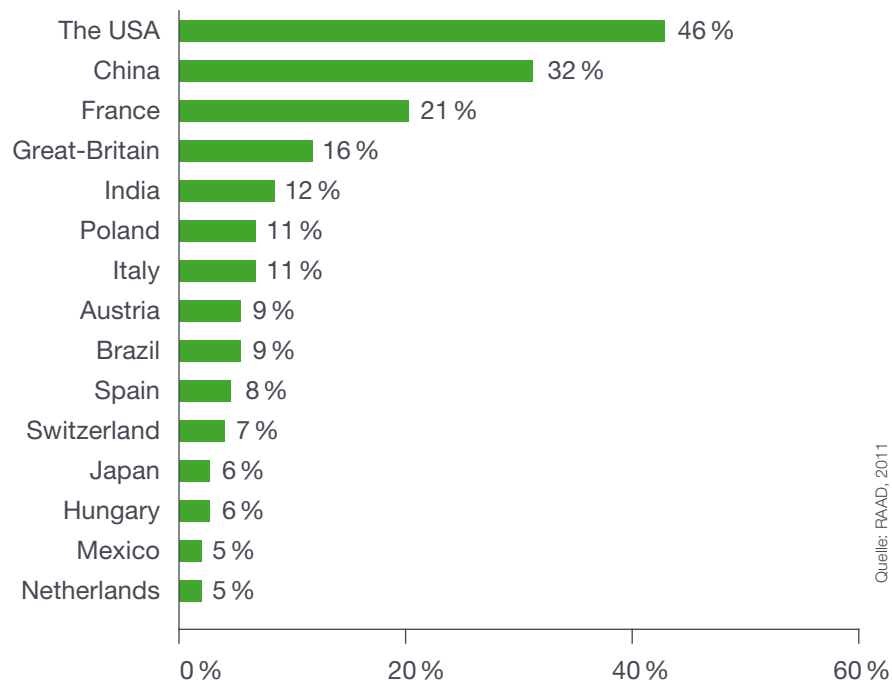
However, in addition to these attractive opportunities, dangers or stumbling blocks also lurk in international business. It is not surprising that numerous attempts at expansion fail each year because global business is fast, aggressive and complex.

Fact check

According to a recent study by Raad Research in 2011, 55% of mid-sized industrial companies already have sites abroad. 13% of industrial companies are planning to open new sites both at home and abroad.*

* Source: Raad Research 2011

In which countries does your company have sites?



Quelle: RAAD, 2011

ERP solution success factors

The long-term chance of success for mid-sized businesses with an international presence increases if their international growth is built on a solid foundation, such as an enterprise resource planning (ERP) solution. The objective of this type of enterprise software is to increase transparency, manage growth, improve cooperation with countries, subsidiaries, corporate divisions and employees, reduce costs and streamline the organisation's processes. By doing this, it supports the planning and management of all company resources.

An ERP solution integrates all management processes, from planning and production through to finance, within an overarching system. It provides transparency and reduces costs.

The ERP solution must fit the company strategy and not vice versa

The challenges faced by a mid-sized company, as yet without any international sites, but with plans to expand abroad, differ to those faced by companies which already have a well-established global presence.

In the first scenario, the company must deal with the implementation of software designed for international activities, which will facilitate its expansion.

In the second scenario, the company often faces the challenge of consolidating a heterogeneous and only partially compatible IT landscape which has arisen as a result of growth. In both cases it is important to set out the company strategy early on.

International strategy checklist

- In which countries do you already have subsidiaries and in which countries do you plan to expand?
- What is the evaluation of the market situation in these countries?
- What is the international competition like?
- Which languages are required?
- What is the situation regarding relevant local legislation?
- How is the organisation to be structured in the future?
- How independent are the foreign sites to be?
- What partnership structures may already exist there?
- What reporting structures are planned?
- What cultural differences should be anticipated from the perspective of work behaviour, quality awareness, management style and ethical and moral values?
- Which processes must be managed across national boundaries, and which can be managed at each individual site?
- What IT structures are already available?
- How many isolated applications are there?
- What interfaces etc.?

ERP solution success factors

Agility is key

It is a fact that global competition is tougher; a company must be able to react more quickly and efficiently than its competitors. The aim is to be and to remain agile. Internationalisation increases the functional and technical demands on the ERP system used.

For example, trade is particularly reliant on transparency as it requires data regarding many cross-border subsidiaries to be gathered from various sources, to be integrated and to be used as the basis for future decisions. In order to maintain their agility, companies which are heavily dependent on exports, such as mid-sized machine, equipment and vehicle manufacturers, require the fast entry of technical requirements in the IT system. This is the only way in which these companies can use their innovative power in a targeted manner. Basically,

the more complex the application area and the more diverse the business processes, the more importance the solution must place on flexibility and simplicity.

Internationality and suitability for mid-sized businesses

ERP solutions which meet international business requirements are, however, usually cumbersome and very expensive. They were not developed to be used by mid-sized companies, but are offshoots of solutions designed for large corporate groups. This means that the mid-sized company often pays for functionality which it will never use and that implementation costs are unnecessarily high. Before selecting a suitable solution, it is a good idea to check whether it is suitable for mid-sized businesses.

"Mid-sized business suitability" checklist

- The ERP solution should be modular, or available in different versions, so that all requirements can be met accurately, and it should be scalable at the same time.
- The provider's core business is software for mid-sized businesses.
- In the best case scenario the provider itself is a mid-sized business with international experience, which means that it is best placed to understand the requirements.
- Implementation is quick and straightforward and, if necessary, the provider also offers implementation methodology.
- The software already contains pre-configured standard processes.
- Processes can be adjusted quickly and on an individual basis.
- The operating concept is straightforward and easy to use, and simplifies users' operations.
- The provider places as much importance on service and maintenance as on the software.

Wanted: an international ERP system with national expertise



When an international ERP system is implemented, production sites, sales subsidiaries, head office and potentially suppliers and partners from different countries must be centralised. This is not an easy task for company management, who have to grapple with a variety of strategic possibilities in order to unite an organisation structure which has become very complex.

The task of the IT department is then to implement the new organisation structure in an ERP system. This means that isolated applications and complex interfaces must be removed and replaced by an integrated system.

With the range of ERP solutions on the market, it is not easy to make a decision.

It is important that the ERP solution integrates all of the company's management processes in a global database and gives users access to this information via one standard system. This gives all employees access to all the information whenever they need it. Integrating resources, know-how and expert knowledge is not only efficient, but it is also the best way to quickly react to new market trends.

Decision makers need real-time access to information and common workflows - as facilitated by Tier 1 ERP - but they must also be able to account for individual quirks. A tailored approach to ERP allows firms to work with greater flexibility and agility, responding to location, jurisdiction, time zone or sector-specific demands as and when they arise. A 2-tier ERP approach allows divisions to focus specifically on their core area of expertise - whether a region or industry segment - while still benefitting from membership of a larger organisation. Essentially, the data and qualitative information used to frame decision making is more relevant to the daily operations of firms in practice.

2-tier ERP can help businesses expand. Nick Castellina, an analyst at the Aberdeen Group, expects the number of businesses embracing 2-tier ERP to increase as they look to expand into new territories. He noted that many firms adopting this approach have entered a growth phase, and are actively looking at ways of optimising business processes while expanding. Mr Castellina said that in many cases, businesses are turning to multi-tiered ERP strategies in order to get new sites up and running as quickly as possible. "They are deploying an ERP that includes only the functionality that site needs to speed up the implementation process," he noted. "This is why the corporate standard is often called the administrative ERP, with the lowertiered model being called operational."

How international is it allowed to be?

Companies planning future international expansion are advised to choose a standard ERP solution with a range of pre-configured processes. This simplifies implementation and makes it easier to link external locations. Additional implementation methodology, which acts as a guide throughout the implementation process, subsequently assists with installation and customisation. As a result, the project is kept within a manageable budget from the outset. It is advisable to use an approach based on harmonisation, known as the "core model approach", in complex projects which consolidate many domestic companies and foreign subsidiaries with a very heterogeneous IT landscape. Initially, analysis workshops are carried out to reconcile requirements from both the international locations and the domestic parent company within a standard process model. This forms the basis for future process configuration in the selected ERP solution. For the successful implementation of an international ERP solution, the selection and implementation processes must be carefully prepared and planned, in addition to ensuring that all required functionality is available.

"Four steps to a suitable solution" checklist

1. Pre-selection

The objective of market research is to reduce the number of potential ERP systems to a maximum of twelve. Influencing factors are not just the scope of functionality, but may also include suitability for mid-sized businesses, investment protection or industry orientation.

2. Intermediate round

At this stage, the remaining ERP providers receive a detailed set of specifications containing the core business processes and project requirements. This forms the basis for the specific solution proposals and the initial offer including modification requirements and anticipated maintenance and service costs.

3. Final presentation

At this stage, the providers' actual performance capability is assessed rather than manufacturer's statements. In order to get an inside view, tasks should be given to the participants, such as incorporating complex business processes within the software. This is sometimes followed by additional workshops with the best two or three candidates.

4. Decision

In order to remain as objective as possible, many companies use catalogues of points in which weightings are also given to individual criteria according to their significance for the company. Despite this, decisions are not just based on hard facts, but also on soft factors. These include factors such as industry experience, service, implementation concept or investment security.

Requirements for international success

The following functionality is the minimum functionality which international ERP solutions for mid-sized businesses must have:

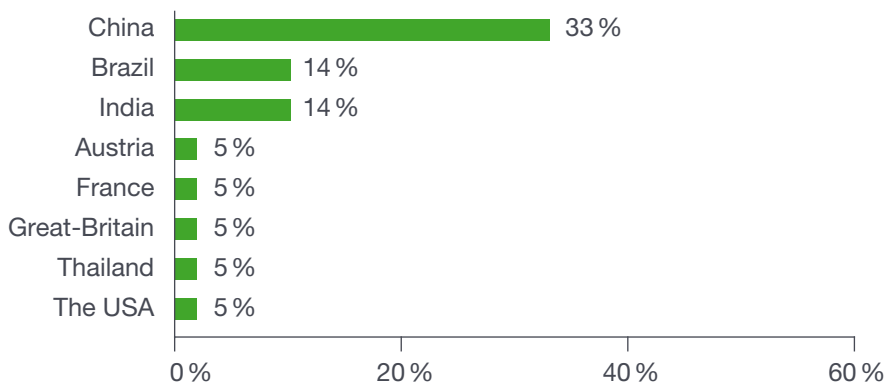
What languages does the ERP system speak?

An international ERP solution must be multilingual. This means the solution can easily process multilingual data such as invoice text, item descriptions, currency information etc., which is input in the system at different sites, and that it can consolidate country-specific parameters, e.g. item names, quantities, currencies, calculations or pricelists within one system. When considering those markets which have been identified as future markets for European mid-sized businesses, it is evident that the ERP solution must always be Unicode-enabled to accommodate special characters used by languages such as Chinese or Russian.

Taking local laws into account at home and abroad

It is also important that, in addition to being multilingual, the implemented solution takes relevant legal requirements, for example, commercial, contract or copyright law, into account and supports these requirements. Settings such as currencies and tax rates, in addition to customs regulations or tax codes should always be integrated as standard. At the same time it is important that the software is adapted to meet the requirements of the parent company's market. This is the only way that mid-sized companies can meet all the requirements of national standards.

In which countries does your company plan to set up sites?



Quelle: RAAD, 2011

Requirements for international success

Multi-company functionality for successful consolidation

The software must offer all functionality required to manage multinational companies in a professional manner so that consolidating the foreign subsidiaries and the parent company results in processes being as streamlined as necessary. This means that it must cover all company divisions, including finance, production, purchasing, sales and inventory. In this way, isolated applications with complex interfaces and time-consuming and expensive maintenance can be avoided or removed.

Transform information into knowledge

Risk management is already of central significance in the international environment. This is because it is all too easy for management to lose sight of business activity and its success or failure in a complex, internationally-networked company structure. At the same time transparency is key in future decision making and quality management. An international ERP solution helps to process high-volume, decentralised information and to convert it into management knowledge. The pre-requisite for this is the ability to create up-to-date corporate key figures by country, by region or consolidated for all countries at the push of a button, for example, data relating to productivity, complaints rate, turnover, profit margins, inventory, sales opportunities, etc.

Integrated information systems

These are operated with the aid of easy-to-use reporting and business tools. They combine functionality and data integration with a powerful workflow engine, in order to achieve real-time control without complicated analysis steps, and a transparent overview of all activities. This type of professional business intelligence functionality is included in modern ERP solutions. The functionality provides statistics, reports and evaluations from various data sources. The decisive factor is whether information can be filtered from almost any data source, irrespective of the source being a database, text file, xml-based file or OLAP (online analytical processing), whether interactive reports can be created and whether the export in formats such as PDF, RTF or Excel is supported. It should be possible to publish analyses on the web or integrate them into external applications.

Requirements for international success

Global sales at a glance

Customer communication, service and support services can be significantly improved if they are transparent and visible on an international level. An ERP system should therefore include CRM software. Users can use CRM software for the automation of customer processes and the professional management of all sales processes on a global basis. In addition, integrated CRM

functionality gives company management an overview of the status of all sales activities at any time, so that future turnover can be estimated on a daily basis. This is based on global sales. An ERP solution for mid-sized businesses integrates all available information and business processes relating to a company within a single software platform. The solution is supplemented by information systems which take all company divisions into account.



Requirements for international success

Automation of standard processes and workflows

Managers in mid-sized companies in the international environment need to be able to manage their workflow in the ERP system. Powerful workflow engines and routines assist in defining business rules and in automating business processes. In doing so they make it possible to access pre-existing processes or to modify these processes on an individual basis. Rules can then, for example, trigger a warning or workflow if specific company key figures exceed or fall below thresholds. By using these and other routines, processes can be managed efficiently and smoothly and withstand international competition.

Growth needs scalability

The main objective of a global approach is to drive business growth. Therefore an internationally-oriented ERP solution must be designed from a technical perspective to enable growth, and allow functionality to be implemented and rolled out step by step as required. Functionality can then be activated as and when the company requires it. This is the only way that an ERP solution can provide individual support to a mid-sized business which is building and developing its international presence.

The same applies to the number of users as the ERP system must be just as executable for one site as it is for numerous sites. The ERP solution should also be available via a browser. This applies particularly to small sites abroad, sales partners located globally and branches with few business sites. Individual user portals have proven successful when providing an overview of business indicators, processes, dates or external web content on one interface.

Requirements for international success

Modern technology concept

To ensure that the ERP solution remains as flexible in the future, the functionality and technology layers should be completely independent. It is important to ensure that the ERP system is compatible with different database and operating systems, for example, Oracle or Microsoft SQLServer databases, Windows, Unix or Linux operating systems. It should also be possible to implement it in both web and/or client server environments, and it should also fit into a web-based SOA environment.

Beware of legacy data!

The status of legacy data can become a real stumbling block in the software sector. Although master data such as address or item information can be migrated comparatively easily into a new solution, it is a completely different scenario for transactional data. The transfer is made more difficult with different structures and formats. Data quality presents just as much of a problem because the data often originates from a variety of different sources. Data is frequently out of date, duplicated or not maintained correctly. It is not possible to eliminate these types of defects during the conversion process. In this scenario it is therefore advisable to start early on with data cleansing, as all capacities will be used during implementation. Data issues quickly lead to delays or future restrictions.

Infirmarius case study

Implementation of a uniform ERP solution

Infirmarius, a subsidiary of the French Lehning Group and a traditional producer of naturopathic preparations, selected a uniform ERP solution as part of the international consolidation of its IT landscape. The objective was to create an integrated, IT-supported production and finance chain, enabling the optimal management of production sites in Metz and Göppingen as a result of uniform access to financial data and inventory. With less discontinuity in media and faster access to capacities, workloads in the production sites are now spread optimally and the headquarters in France have an accurate overall view. Infirmarius implemented the finance, production, purchasing and sales, CRM and inventory modules.

Industry-specific features covered as standard

The international ERP solution also covers specific requirements relating to the production of pharmaceuticals. By using the allocation of unique batch numbers, all ingredients relating to a product can be traced back to the individual supplier batch. By doing this it is possible to trace back to every source material in the medicine..

Automated scheduling and material planning

Both scheduling and material planning at Infirmarius are now fully automated. As a result, individual production sites are significantly better utilised. By doing this, the system also facilitates the management of external production abroad, so that some additives are produced in France and processed in Germany. The international ERP solution manages the entire request process, as it gives German Infirmarius employees access to inventory in France and therefore makes it easy for them to request the requisite materials via the system.

Integrated sales planning

Thomas Schneider, Managing Director of Infirmarius GmbH, stresses the benefits of integrated sales planning. "The system creates decision supporting forecasts for future sales figures relating to individual products based on past and empirical data. As a result, we are significantly better at planning our entire production chain and we can react more efficiently to seasonal fluctuations."

Future proofing - recognising the latest trends

An ERP solution is not a short-term cash investment. It should be profitable in the long term. No other sectors are as fast moving as the IT industry. Today's latest trend is tomorrow's old news. Nonetheless, certain trends prevail in the long term. Therefore, when choosing an ERP solution it is important to ensure that the provider keeps up to date with trends such as cloud computing and works on relevant solutions. This is the only way to ensure that the ERP solution will still be able to withstand technological development in the future.



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