FUTURE-PROOF YOUR BUSINESS WITH POSTMODERN ERP

EMBRACE DIGITAL TRANSFORMATION AND DISRUPTIVE INNOVATION WITH AN AGILE SYSTEM-OF-RECORD

Foreword

Your Enterprise Resource Planning (ERP) system should help you manage accounting, operations, human resources, customer relationships, procurement processes, projects, and more. Unfortunately, it's common for organizations to cling to aging ERP systems that require costly, time-consuming deployments and significant hardware or infrastructure investments.

Dealing with an expensive, aging ERP system is certainly frustrating when new technologies are being developed every day to support enterprise processes. It's human nature to be averse to change, especially when you've already invested so much into your current setup. However, digital transformation and disruptive technologies are affecting virtually every industry. In the long-term your business must be equipped with the right tools to future-proof and take advantage of these technologies or risk being left behind.

Luckily, ERP systems have evolved into what Gartner refers to as Postmodern ERP. These postmodern business management systems are a hybrid of best-in-breed functionality and traditional suite-based processing. This deconstruction of the monolithic suite delivers a core ERP that allows for flexible third-party integrations.

Postmodern ERP systems have taken on the role of system-of-record in an ever growing multi-cloud world of specialized solutions. The flexibility of this postmodern strategy allows each organization to customize the functionalities of their applications according to their needs and the agility to adapt as those needs evolve.

This eBook gives an overview of postmodern ERP principals, strategy, key considerations, and best planning/execution practices.

"Approximately half of ERP customers are on releases that are two versions behind the current release, which may be four years old or more." - Forrester Research

The Trouble with Traditional ERP

Over the last 30 years, ERP has evolved from a collection of stand-alone, "best-in-breed" applications to a comprehensive, end-to-end integrated suite. This suite-model remedied the issues of the best-in-breed approach by insuring data consistency across the tightly integrated applications.

However, such a tightly integrated system is difficult and expensive to maintain, or alter in order to increase functionality. As disruptive digital technologies are being developed every day, traditional ERP systems stifle innovation because they value integration and standardized processes over the agility to adapt.

Choosing a single vendor and hoping that a single suite could do it all was a high-risk approach in the past. At the rate that digital technologies are disrupting industries today, this strategy is likely to be disastrous.

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- Legacy systems drain innovation from your IT budget.
- Regulations require fluidity; Monolithic ERP suites fail to keep pace.
- Aging ERP hinders business velocity.
- A mobile workforce demands mobile, real-time business insights.
- Centralized ERP limits increasingly decentralized businesses.
- Traditional ERP isolates your business from Suppliers, Channels, and Customers in the Cloud.
- The rapid rate of disruptive innovation and technological advancement demands enterprise agility.

Disruptive Innovation

Disruption is a fundamental, lasting change in the ways a business or industry functions. Disruptors can be new products, sales approaches, pricing models, business models, regulations, employee personalities, or some combination of these.

Disruption has the power to displace an existing market, industry, technology, product, or service by producing something new, more efficient, and worthwhile to replace it.

In today's market, not embracing disruptive innovations as they emerge means getting left behind as the world moves forward to more efficient and in-demand technologies. Keeping up with trends and looking for ways to change processes for the better is one of the best ways to stay relevant.

As your business evolves, you must have an ERP solution in place that is able to easily adapt to changing environments as well.

"No company is so essential that it can't be replaced and no industry is off-limits to change." - Clayton Christensen, Harvard Business School

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Digital Transformation

Digital transformation is defined as a transformation or change associated with the application of digital technologies. In the business world, the term is often associated with companies striving to keep up with changing business environments brought about by customer demand and technological innovation by transforming its core business processes using digital technology.

This means embracing disruptive technologies in the digital space before they have the opportunity to disrupt your organization, thus providing a competitive advantage in an otherwise disrupted industry. This means that digital transformation is an ongoing evolution, a continued organic growth that requires an agile business that can adapt to changes as they happen.
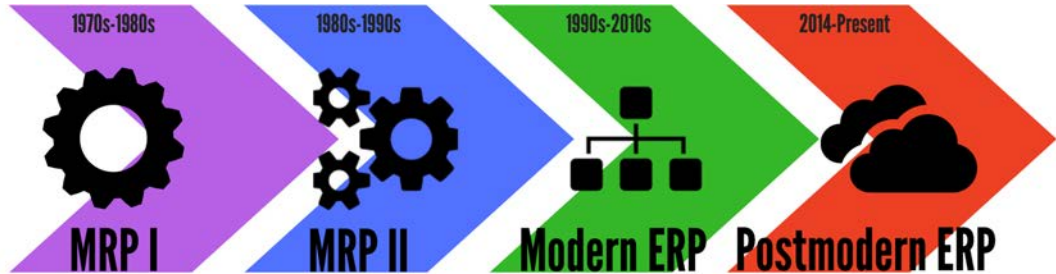
In order to deliver this agility, ERP vendors have had to undergo their own digital transformation. The result is a new breed of postmodern ERP that can function as a digital system-of-record in an ever-changing digital landscape.

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." - Charles Darwin

Trying to keep up with an aging system can feel like patching a sinking ship.

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Luckily, ERP Has Evolved... *Again*

1970s-1980s	1980s-1990s	1990s-2010s	2014-Present
MRP I	**MRP II**	**Modern ERP**	**Postmodern ERP**

Function Oriented
Best-in-breed approach. Multiple, highly specialized, function based solutions from various vendors.

Can often become siloed.

Data Oriented
Suite-based, highly integrated, standardized processes.

Rigid, slow, and costly to customize.

Process Oriented
Hybrid of best-in-breed and suite. Core systems are easily integrated with third party applications both in the cloud and/or on-premise.

Postmodern ERP is...

Gartner defines postmodern ERP as a technology strategy that automates and integrates administrative and operational business capabilities like finance, HR, purchasing, manufacturing, and distribution with appropriate levels of balance between vendor-delivered integration against business flexibility and agility.

The days of buying one monolithic solution to meet all of a business's needs with a few costly and time consuming customizations are gone. However, in the postmodern ERP world, ERP solutions are deconstructed into personalized sets of integrated business functions. The goal is to use the best applications possible in each area of a business, while also ensuring that they integrate with each other as needed (either tightly integrated or very loosely coupled).

The modern ERP MegaSuite was killed by highly specialized SaaS or Cloud applications. Heavily customized, modern ERP systems are being re-architected to serve as a system-of-record with differentiating processes and activities complemented with pre-configured or API-enabled integrations.

The inherent flexibility in this approach allows each business to customize their system, and the agility to quickly make changes as needed. This means that there is no one-size-fits-all approach to postmodern ERP. Two organizations within the same industry could both implement strategies that are postmodern in nature and yet wildly different. That's because each organization is different, and must define its own postmodern strategy according to its operations, unique needs, budget, and future goals.

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Postmodern ERP gets its name from the similarities it has to the Postmodern Art Movement

10 Marilyns by Andy Warhol (1967)

- Anti-"modernist"
- Questions definitions (like *art* or *enterprise*)
- Deconstruction of the whole
- Every interpretation is different

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Key Characteristics of Postmodern ERP

- Delivers business agility and flexibility
- Flexibly coupled applications, not a single product suite
- Plays well with others through APIs and pre-built integrations
- Modern, web and mobile-friendly UI
- Flexible deployment options (on-premises, private/public cloud, or hybrid)

- Business-specific integrations
- Reduced complexity of the core ERP
- SaaS deployment means near painless upgrades
- Improved business outcomes
- Flexible licensing options

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Postmodern ERP Strategy

A postmodern approach includes two or more separate strategies, and each application the organization utilizes falls under one of these categories.
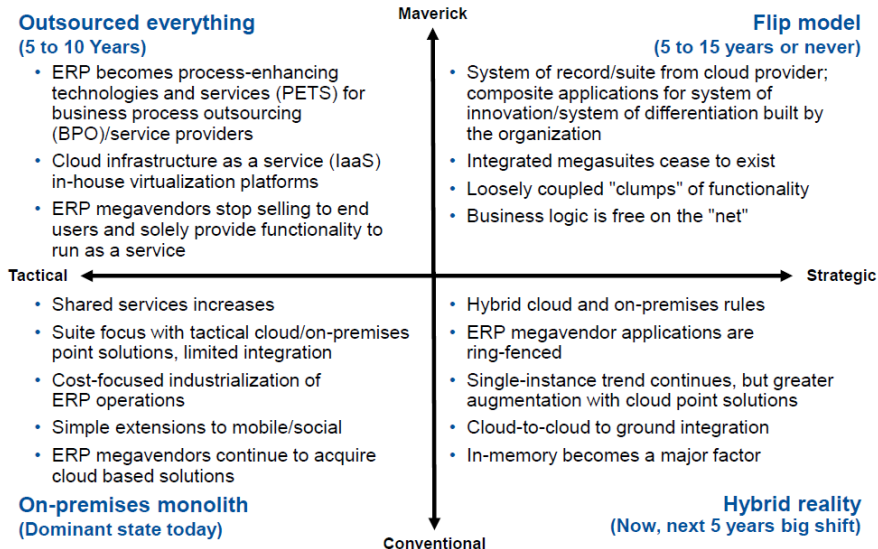
Administrative

This strategy focuses primarily on administrative functionalities like financials, human capital management, and indirect procurement. This is a more service-centric approach to ERP, for industries that don't require comprehensive operational capabilities. Some industry-specific functionalities may be incorporated in the overall ERP strategy, but at its core, the focus is on administrative functions.

Operational

Product-centric industries like manufacturing, distribution, retail, etc. will likely expand their ERP strategy to beyond administrative tasks into operational areas, such as order management, inventory management, manufacturing and supply chain, to maximize operational efficiencies.

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The HOOF Model

Maverick

Outsourced everything
(5 to 10 Years)

- ERP becomes process-enhancing technologies and services (PETS) for business process outsourcing (BPO)/service providers
- Cloud infrastructure as a service (IaaS) in-house virtualization platforms
- ERP megavendors stop selling to end users and solely provide functionality to run as a service

Tactical ← → **Strategic**

Flip model
(5 to 15 years or never)

- System of record/suite from cloud provider; composite applications for system of innovation/system of differentiation built by the organization
- Integrated megasuites cease to exist
- Loosely coupled "clumps" of functionality
- Business logic is free on the "net"

- Shared services increases
- Suite focus with tactical cloud/on-premises point solutions, limited integration
- Cost-focused industrialization of ERP operations
- Simple extensions to mobile/social
- ERP megavendors continue to acquire cloud based solutions

- Hybrid cloud and on-premises rules
- ERP megavendor applications are ring-fenced
- Single-instance trend continues, but greater augmentation with cloud point solutions
- Cloud-to-cloud to ground integration
- In-memory becomes a major factor

On-premises monolith
(Dominant state today)

Hybrid reality
(Now, next 5 years big shift)

Conventional

Source: **Gartner**

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Unlock Enterprise Agility

(no matter the size of your business)

- Respond quickly to changing market conditions
- Adapt to disruptive technologies
- Embrace digital transformation
- Manage changing regulations
- Deliver consistency across projects, clients, and partners

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Postmodern ERP Delivers Agility in the Multi-Cloud

Whether you're working with a solution that embraces it or not, you're already living in the multi-cloud world. The biggest misconception about cloud applications is that they're hosted on "THE" cloud. There isn't a single cloud, but rather many, many clouds.

The first step in embracing the multi-cloud world is to think of your postmodern ERP system as the center point of your organization's multi-cloud hub. Your ERP should truly be the system-of-record for your business, as it is arguably (and we're a little biased) the most critical for maintaining consistent business processes.
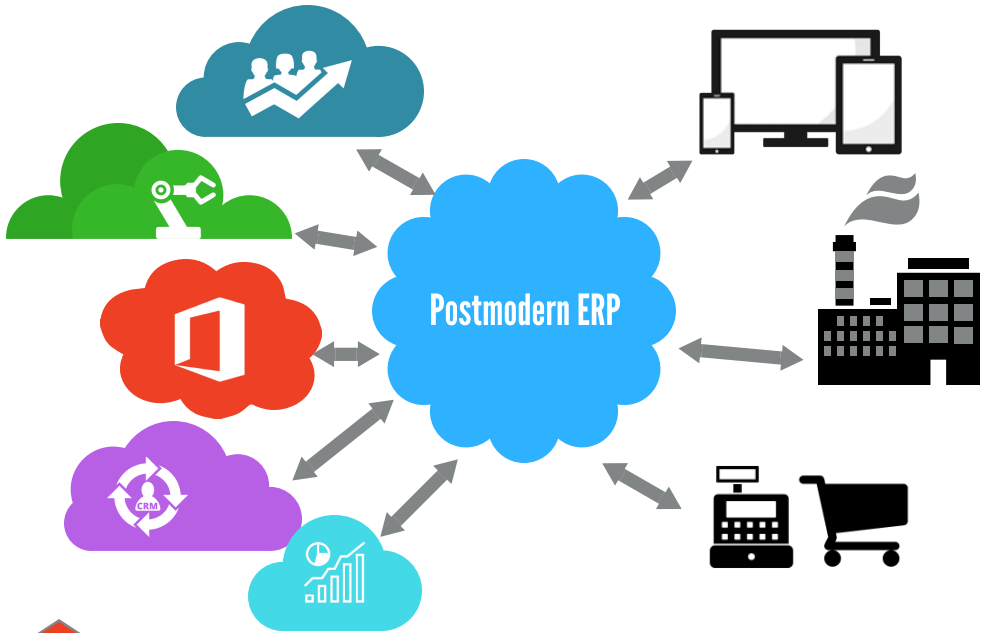
Postmodern ERP vendors have embraced this new role by building bridges between their systems and various cloud applications and breaking down data silos in the cloud with flexible APIs (Application Programing Interfaces) and prebuilt integrations. When choosing the right platform to serve as the focal point of your multi-cloud hub, it's imperative that flexible integration capabilities be added to more traditional financial and/or logistical functionality considerations.

Companies who embrace the multi-cloud world are set up for success. They have chosen to center their business around a postmodern ERP solution that is mobile, scalable, adaptable, and easily integrated into other cloud environments as needs change.

"Selecting vendors who are built for a multi-cloud world allows a company of 200 people to do what you used to need 1,000 people to do." - Ali Jani, Acumatica

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The Multi-Cloud World

Postmodern ERP

... ERP as a central system of record

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Planning for Postmodern ERP

1.) Establish a clear view of business requirements and the business' evolving strategy.

2.) Ensure which current and prospective solutions will effectively "future-proof" the business.

3.) Align all business needs with architectural components to establish transition plans.

4.) Implement new solution(s) or update to current release. Eliminate unnecessary modifications and leverage approved, supported extensions and applications.

5.) Collaborate with vendor(s). Together, set realistic goals and proactive alerts for upcoming updates.

6.) Establish change management strategy and approach.

Executing Postmodern ERP Strategy

1.) Maintain detailed business scenarios and scripts.

2.) Develop change management and testing procedures. Leverage end-user training to ensure the system is being used as intended by all users.

3.) Regularly apply patches and updates.

4.) Apply version upgrades as available.

5.) Leverage cloud applications where appropriate. They are inherently current, flexible, and scalable.

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Spend less time maintaining aging systems...

... and more time embracing innovation and change.

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About ACC Software Solutions

ACC Software Solutions helps organizations simplify, standardize, and optimize their business processes with a combination of experience, industry knowledge, and technology. From our corporate HQ in Cherry Hill, New Jersey, our ERP software solutions support accounting, operations, human resources, customer relationship management, and retail services for our clients nationwide. We provide specialized solutions and expertise to various industries including manufacturing, distribution, financial, medical, and professional services.

Contact us to learn more about how to future-proof your business with postmodern ERP