



## EXECUTIVE BRIEF

# Improve business productivity and agility with modern ERP

### You don't know what you don't know

How do you run your business? Are you doing weekly planning on a whiteboard? Do you keep track of inventory in spreadsheets? Can you measure performance against key performance indicators (KPIs)? If you rely on a legacy enterprise resource planning (ERP) system, can key stakeholders even utilize it, or do they need to roll up their needs to a few select “super users?” Does your business have lots of data, but it exists in silos and requires time-consuming and error-prone manual processes before it can be shared across business units?

Even if you answer “yes” to these questions you might think, “but what we have works—it’s good enough.” In today’s fast-moving, quickly changing, increasingly competitive business environment, good enough is no longer good enough. Today’s organizations need complete enterprise-wide visibility and the ability to collaborate across the business. They need the agility and flexibility to quickly respond to a changing market while growing the business to take advantage of new opportunities—ideally, before the competition. Today’s way of doing business is data driven and you need the right tools to access, share, and leverage this data in order to make business decisions to not just survive, but thrive.

### Modern ERP requires an organization-wide cultural change

The goal of a modern ERP system is to bring your people together with shared goals. This requires a major cultural shift in thinking across the enterprise. It requires a data-driven mindset across the business. While much of that change is typically driven by management, enlisting change agents from all levels of the company can give employees a sense of ownership toward the changes they’re about to undertake.

## The birth of the digital operations platform (DOP)

The modern ERP system's origin dates back more than 100 years, when it began as economic order quantity (EOQ)—a decision tool for optimizing inventory costs. Over time, additional functionality was added, like finance and CRM, and the individual components were integrated into a single overarching, albeit difficult to use, system.

A simplified definition of ERP is a system or solution that businesses use to manage day-to-day business activities, such as procurement, project management, operations, and sales. ERP systems can also introduce automation that replaces manual tasks. The goal of an ERP system is to improve business productivity and agility.

As these business systems evolved, they met the needs of their times, but their functionality was directly limited by the available technology. Today's modern ERP systems might be better called **digital operations platforms** (DOP) to reflect their agile, artificial intelligence-based, and experience-driven nature, as well as the critical role they play in cloud-based digital businesses.

Some key functionality that modern ERP (a.k.a. DOP) systems bring to organizations include:

**Support for industry-specific business processes**—Business strategy and requirements are considered in the context of a larger set of capabilities and technology that can address complete business processes.

**API-based integration for complex workflows**—Native support for services-based APIs enables flexible inter-application collaboration to support complex workflows and in-context analytics.

**Complex application environments**—Flexibility to handle complex, hybrid technical environments while applications and data move from legacy and on-premises software to cloud.

**Collaboration with supplier and customer ecosystems**—Ready to work beyond the enterprise and support the full industry technology ecosystem by connecting with customer, supplier, and partner applications.

**Future-proofed for extension and scalability**—Extensibility, scalability, and performance are part of the ERP's core design principles to maximize business agility—including support for user interaction modalities beyond the traditional UX.

**Tailored to industry and business specific needs**—The ability to easily integrate the ERP system with complementary applications that address specific industry and business operational needs that speak your language.

**Connected data for analytics, machine learning, and AI**—Connect data across application silos for enterprise-wide analytics, on-demand recommendations, and pathway to AI.

**Security and risk management**—Tools for standards-based security, risk and fail-over management, attack prevention, and processes for continuous security advancement.

## Benefits of a modern ERP system

Implementing or upgrading to a modern ERP can cause significant business disruption, causing an organization to lose focus, or even “break” business processes that the company looked upon as core to their success. As scary as this may seem, the productivity gains and business improvements that your business will miss out on **far outweigh** the costs and risks.

Modernization has a strategic impact on your business. Without access to a modern ERP system, it can be difficult or even impossible to support new business models and benefit from the improvements in KPIs that come with a successful ERP implementation.

Some of the major benefits of a modern ERP system include:

**Ease of use**—You can't achieve return on investment (ROI) if your employees can't use your ERP system. Updated systems are more user friendly, encouraging employees to seek out data and integrate it into the decision-making process.

**More informed business decisions**—Enterprise analytics enable businesses to connect data across business silos and drill down on overall results and KPIs to functional contributors. With modern ERP systems, businesses can grow the “analytics mindset” within the organization to increase data-driven decision-making and increase operational effectiveness. By aligning enterprise KPIs with department objectives, teams and individuals have a clearer picture of how their priorities impact overall business performance.

ROI is always the key metric for business decision-makers, and modern ERP systems help teams communicate more clearly with executive stakeholders through business analytics, scenario planning, and financial impact analysis.

By understanding the drivers of current financial outcomes and then using tools to model future outcomes, teams not only benefit from greater confidence in their decisions, but also get increased support from executives that know they're investing company resources intelligently.

**Ability to attract and retain talent**—A major challenge for manufacturers and distributors today is the retirement of employees with years of “tribal” knowledge and expertise combined with a new generation of workers that are less inclined to embark on manufacturing and distribution careers. Without these resources, your company can't exist. The new generation of digital natives demand technology that is user-friendly and supports how they like to work. This means software that mirrors the look and feel of applications they use in their day-to-day lives and supports immediate access to data and collaboration. For many manufacturers and distributors, modern ERP systems have been a key differentiator when targeting this generation of workers.

**Breaking down business silos to increase collaboration**—By extending ERP capabilities beyond operations with a modern platform, businesses can increase collaboration across functional areas for improved workflows and increased productivity. As teams leverage improved communications and cross functional data, they can reduce cycle times and increase accuracy. Native social tools within ERP systems allow teams to share rich information across regions and time zones using devices that support work wherever and whenever needed.

ERP systems should support “outside-in” requirements for exchanging information with suppliers and customers. Networked support for processes such as supply chain management, product lifecycle management, and order management help to reduce cycle times, increase accuracy, and improve overall business flexibility. Analytics for in-context decisions can factor in third-party data, such as stock levels, lead times, and demand forecasts for improved planning, scheduling, and cost and risk management.

**Improvement of key performance metrics**—Organizations on the latest ERP versions see more significant benefits in metrics such as complete and on-time delivery, inventory turns, internal schedule compliance, and reductions in operational costs. These performance improvements have a direct impact on the bottom line, which may even pay for the ERP system.

**Utilize emerging technology**—Analytics, mobility, cloud, partner networks, and the internet of things (IoT) are becoming table stakes in the modern manufacturing and distribution environments. For example, using IoT and analytics together (such as applying analytics to inexpensive sensors on machinery) can help to support predictive maintenance and enable bigger profits in new service models. Outdated ERP systems can't support this innovation.

## Embrace a data-driven mindset

Saying that ERP systems help organizations manage day-to-day business activities is not only an oversimplification, but it doesn't address the breadth and reach of modern ERP systems. Not only do modern ERP systems touch and connect virtually every operational corner of a business, they also help foster a data-driven mindset across the business. In doing so, they empower key stakeholders to leverage this information for critical decision-making that can grow the business and increase the bottom line.



1-949-284-8115 [info@quadkor.com](mailto:info@quadkor.com) [www.quadkor.com](http://www.quadkor.com)



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641 Avenue of the Americas, New York, NY 10011

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