

WHITE PAPER



**FOUR REASONS WHY  
YOU NEED TO  
CONSOLIDATE YOUR  
VARIOUS ERP  
PACKAGES**







# FOUR REASONS WHY YOU NEED TO CONSOLIDATE YOUR VARIOUS ERP PACKAGES

BY GREG ROMANELLO  
SENIOR BUSINESS CONSULTANT  
IFS NORTH AMERICA

If your business is running more than a single enterprise resource planning (ERP) software package, you need to consolidate down to one.

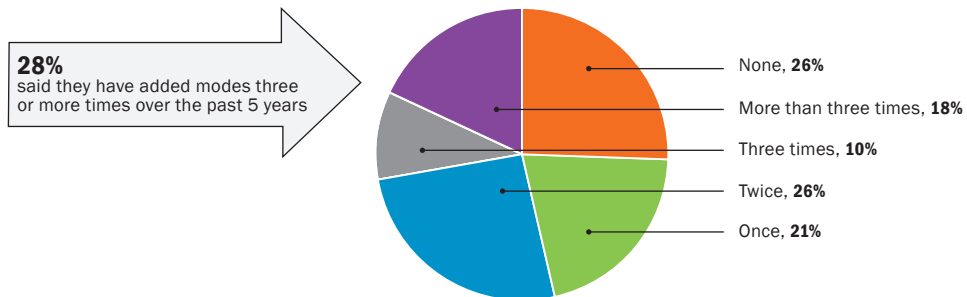
That is the argument we will make in this whitepaper. We'll provide you with four good reasons for making this move, and will also share some of the barriers to doing so and how to get around them.

ERP software costs money, and the more different products you are running, the more it costs. And the more different software platforms you are running, the less of the benefit of a single, consolidated enterprise system you will realize. So common sense would seem to dictate that a single ERP product, when used enterprise-wide, would extend more benefits and cost less than multiple ERP packages used in various, insular, parts of a business.

So how do businesses get to that point of running two, three, several, or even more, ERP products? It can be an insidious process driven by a number of factors.

## Change in Modes

Over the past five years, more than half (54%) say they have added modes at least twice.



According to a study by IFS North America, companies are adding new manufacturing modes rapidly. This might account for some instances of multiple ERP packages being run within a single company.



## HOW DID WE GET HERE?

A study conducted by IFS North America suggests that industrial companies are adding more and more modes of operation. Customer demand and market forces both play a role in this trend. So imagine a make-to-stock manufacturer—ACME Industries—that adds an engineer-to-order (ETO) division to balance out demand peaks and valleys. This requires the implementation of a separate ERP package capable of ETO. ACME adds yet another service line, aftermarket support and repair of products sold into the customer base. This requires the implementation of a third ERP package geared towards service businesses. Then, ACME acquires one of its suppliers, and that supplier has yet another ERP software package in place.

Very few people likely set out to run multiple ERP packages at once. And consolidating to a single ERP product is difficult because:

- It is often hard to find one ERP product among those currently used within a company like ACME that can adequately handle all of the various business models a diverse company operates. Even if there is a product in use that can fill the bill, it often requires a complete re-integration rather than a simple addition of new functionality.
- Users have become accustomed to their enterprise software. In order to gain support for a replacement, the enterprise software will have to be very appealing and offer a clear not only in terms of running the business, but in terms of the daily experience of software end users.
- Furthermore, many managers at a company like ACME realize that their business will continue to change. Once they replace their myriad systems with a single ERP product enterprise-wide, the next acquisition, new product line or new service line could land them right back where they were ... with multiple ERP products.

While IFS does advocate for that single, global, instance of ERP, we know it is not necessarily easy to achieve. But there are compelling reasons to make the move. This list is not comprehensive, but here are four good reasons to consolidate.

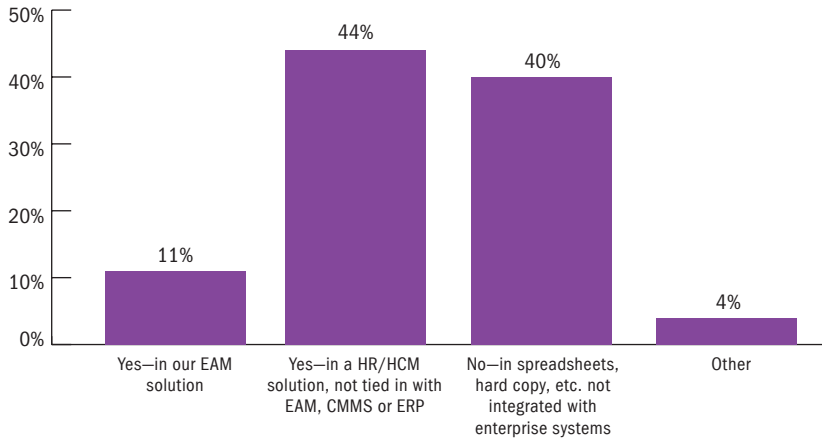
### 1. Rolling up cost and revenue

As you consolidate cost and revenue reporting across your various enterprise software products, how much administrative and accounting time is that consuming? If you have some type of integration between your various ERP products, how much is that costing you to maintain, and how much in professional service fees does it cost you each time you upgrade or reconfigure one or more of your software products?

If your team winds up doing a lot of manual intervention in this process, perhaps “massaging” the data in Microsoft Excel to get it into a standard, company-wide format, how does that affect your ability to comply with Sarbanes-Oxley, or in general to prevent fraud either on a company-wide basis or on the part of an individual?



### Is training tracked with enterprise software?



According to a study conducted by IFS North America, essential risk management data like training is often not integrated with a centralized enterprise software environment. This presents challenges when it comes to risk management.

## 2. Risk Management

Fraud and abuse of company data is just one way multiple ERP packages can create additional enterprise risk. A lack of integration across the enterprise can present barriers to information critical to risk management. Training and certifications, for instance, play into the identification of risk, because if inadequate numbers of qualified people are on hand to perform regulated or restricted functions, that is a risk that executives need to be aware of and mitigate. Maintenance and asset management is also key to risk management as the condition of productive assets, the qualifications and contractual obligations of external parties working on them are factors in the likelihood and fiduciary responsibility for asset failure. Document management is a key factor in risk management as product designs, as-built and as-maintained drawings of assets, are also key to determining and managing a company's risk profile.

General risks associated with financial performance are also contained in the enterprise system, including the customer relationship management data like sales pipeline, data on customers, their geographic locations and their industries. Any of these factors can be determinate of enterprise risk. The supply chain can also represent risk, and if a business is too reliant on a single vendor that is in jeopardy, or imports extensively without solid backups in the case of civil unrest or transport disruptions in their vendor countries, that is an enterprise risk.

With myriad systems run throughout the company, how can you achieve any visibility of or hope to mitigate these risks?



### **3. Economies of scale**

Whether you are on multiple ERP products due to acquisitions or through organic diversification of business processes, you are passing up attractive economies of scale. That is one reason that many IFS customers engaged in merger and acquisition activity develop a protocol for rapidly rolling out IFS Applications to their newly acquired divisions. It is the only way to ensure that you gain the efficiencies and advantages that you were hoping for when you invested in the acquisition.

Oftentimes, some of the first areas of increased efficiency resulting from an acquisition come from the sharing of back-end services like accounting, human resources, and often purchasing. This can be accomplished much more efficiently with unified systems and data sets.

What is good for the goose is usually good for the gander. These efficiencies are there for those who have multiple ERP platforms for reasons apart from mergers and acquisitions. If this is the situation you find yourself in, how much inefficiency could you eliminate by ERP consolidation?

### **4. License and maintenance cost**

This should almost go without saying. But it usually costs more in license and maintenance fees to operate two software products than one. Maintenance often gets to be a major factor as over the years because some of these various legacy systems companies run have been modified heavily and repeatedly. Maintaining and supporting modifications drives up cost. Those modifications must also be uplifted each time the software is upgraded which can make consolidation to a single ERP product even more appealing.

## **CONCLUSION**

If you have found your way into this whitepaper, you may very well be finding yourself at that point where the disadvantages of your multiple ERP packages are becoming apparent. Our hope is that this list of points will provide for you a jumping off point for quantifying at least some of these disadvantages, helping you make a strong business case for consolidation.

For even more assistance, contact us directly and let us help you explore the benefits you could realize by standardizing on a single, global, enterprise-wide solution.



Greg Romanello is a senior business consultant for IFS North America, with thirty years of materials management and manufacturing industry experience. His background includes supporting, designing, and implementing shop floor information systems, project management systems, and comprehensive business (ERP) systems. Romanello has filled these roles both domestically and internationally, as he has been involved in discrete, job, and repetitive manufacturing implementations in engineer-, configure-, assemble-, and make-to-order and mixed mode manufacturing environments. Romanello holds a degree in economics from Ripon College, Ripon, Wisconsin (US) and various certifications, including production and inventory management (CPIM) and integrated resource management (CIRM) from APICS.

## ABOUT IFS

IFS is a public company (OMX STO: IFS) founded in 1983 that develops, supplies, and implements IFS Applications™, a component-based extended ERP suite built on SOA technology. IFS focuses on agile businesses where any of four core processes are strategic: service & asset management, manufacturing, supply chain and projects. The company has more than 2,000 customers and is present in 50+ countries with 2,700 employees in total.

More details can be found at [www.IFSWORLD.com](http://www.IFSWORLD.com).

For further information, e-mail to [Info@ifsworld.com](mailto:Info@ifsworld.com)

<b>AMERICAS</b> .....	<b>+1 888 437 4968</b>
ARGENTINA, BRAZIL, CANADA, MEXICO, UNITED STATES	
<b>ASIA PACIFIC</b> .....	<b>+65 63 33 33 00</b>
AUSTRALIA, INDONESIA, JAPAN, MALAYSIA, NEW ZEALAND, PHILIPPINES, PR CHINA, SINGAPORE, THAILAND	
<b>EUROPE EAST AND CENTRAL ASIA</b> .....	<b>+48 22 577 45 00</b>
BALKANS, CZECH REPUBLIC, GEORGIA, HUNGARY, ISRAEL, KAZAKHSTAN, POLAND, RUSSIA AND CIS, SLOVAKIA, TURKEY, UKRAINE	
<b>EUROPE CENTRAL</b> .....	<b>+49 9131 77 340</b>
AUSTRIA, BELGIUM, GERMANY, ITALY, NETHERLANDS, SWITZERLAND	
<b>EUROPE WEST</b> .....	<b>+44 1494 428 900</b>
FRANCE, IRELAND, PORTUGAL, SPAIN, UNITED KINGDOM	
<b>MIDDLE EAST AND AFRICA</b> .....	<b>+971 4390 0888</b>
INDIA, SOUTH AFRICA, SRI LANKA, UNITED ARAB EMIRATES	
<b>NORDIC</b> .....	<b>+46 13 460 4000</b>
DENMARK, NORWAY, SWEDEN	
<b>FINLAND AND THE BALTIC AREA</b> .....	<b>+358 102 17 9300</b>
ESTONIA, FINLAND, LATVIA, LITHUANIA	

**[www.IFSWORLD.com](http://www.IFSWORLD.com)**

THIS DOCUMENT MAY CONTAIN STATEMENTS OF POSSIBLE FUTURE FUNCTIONALITY FOR IFS' SOFTWARE PRODUCTS AND TECHNOLOGY. SUCH STATEMENTS OF FUTURE FUNCTIONALITY ARE FOR INFORMATION PURPOSES ONLY AND SHOULD NOT BE INTERPRETED AS ANY COMMITMENT OR REPRESENTATION. IFS AND ALL IFS PRODUCT NAMES ARE TRADEMARKS OF IFS. THE NAMES OF ACTUAL COMPANIES AND PRODUCTS MENTIONED HEREIN MAY BE THE TRADEMARKS OF THEIR RESPECTIVE OWNERS.

IFS AB ©2012