

Deploying a world-class ERP solution in a Two-Tier strategy

The ERP dilemma for multi-entity companies

Growth always comes at a cost.

With every new subsidiary,
geographic location, or acquisition,
IT and business leaders confront the daunting
question of how to equip satellites/spokes with
ERP capabilities that promote operational inte-
gration, consistent governance, and financial
and performance visibility across
the distributed enterprise.



Legacy



In many cases, growing subsidiaries use a patchwork of desktop systems or custom-built applications poorly suited to growth. An acquired company may have in place legacy systems that don't integrate with the SAP, Oracle or other ERP solutions in place at headquarters. Establishing a new office in a new country raises questions about what business software to install. Or on-premises ERP may be in place at a satellite, but the vendor's phase-out of maintenance and support forces the company to consider a costly and time-consuming upgrade.

Until several years ago, the ideal for multi-entity and multi-national companies was a single instance of ERP deployment that extended from headquarters to subsidiaries, divisions, or geographic locations. But on-premises ERP in a distributed environment has proven to be notoriously difficult to accomplish, to the extent that some companies abandon the efforts in mid-stream.

Given limited IT budgets and the need to quickly seize opportunities, many multi-entry and multi-national companies are rethinking single-instance ERP strategies.



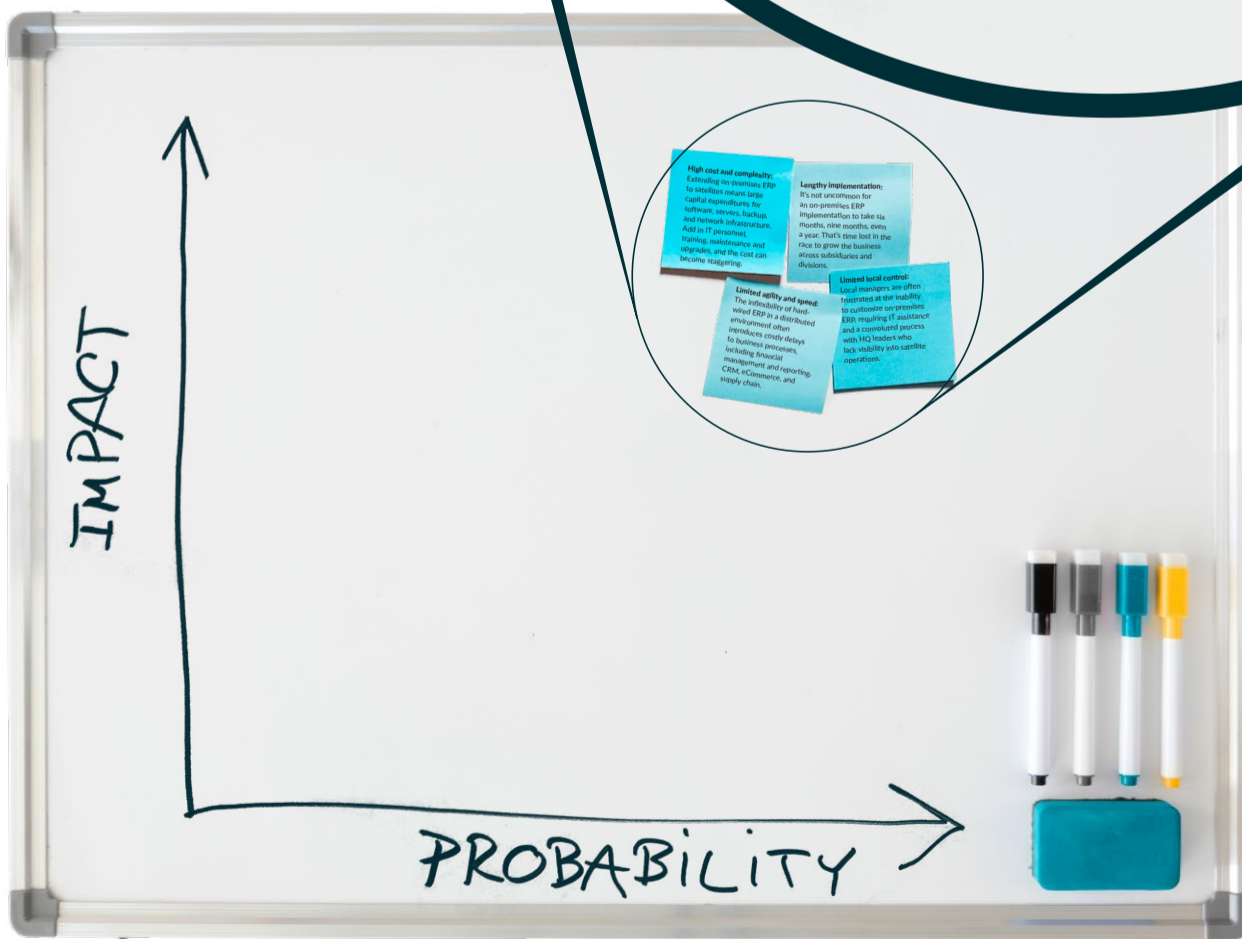
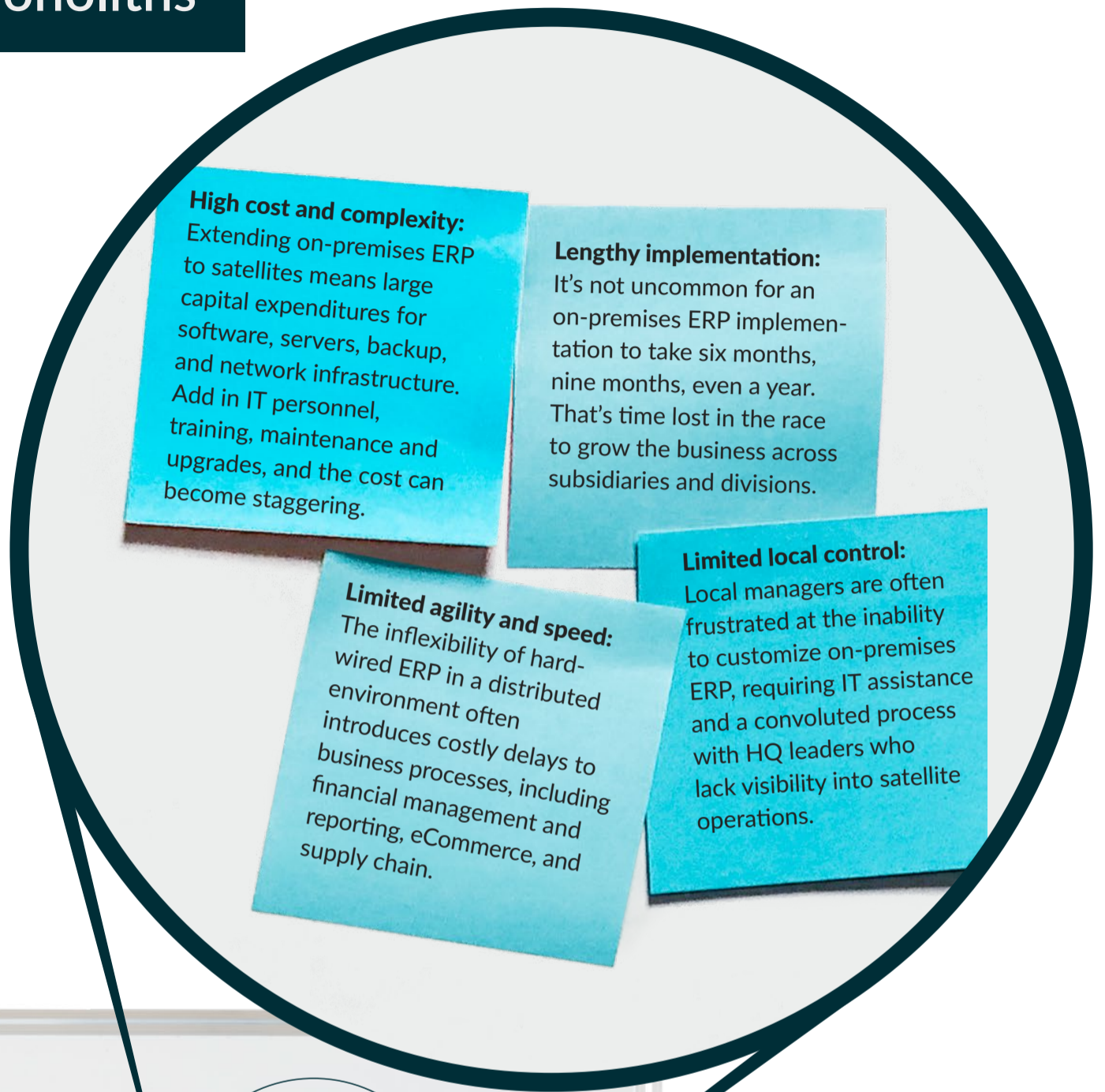
Gartner, in a report on Two-Tier ERP strategies, said:

“Despite its attractions, a single-instance, single-vendor erp suite strategy isn’t right for every organization, and can be very challenging to achieve. It’s rare that any organization can deliver all of its erp functionality in a single-instance, single-vendor solution.”

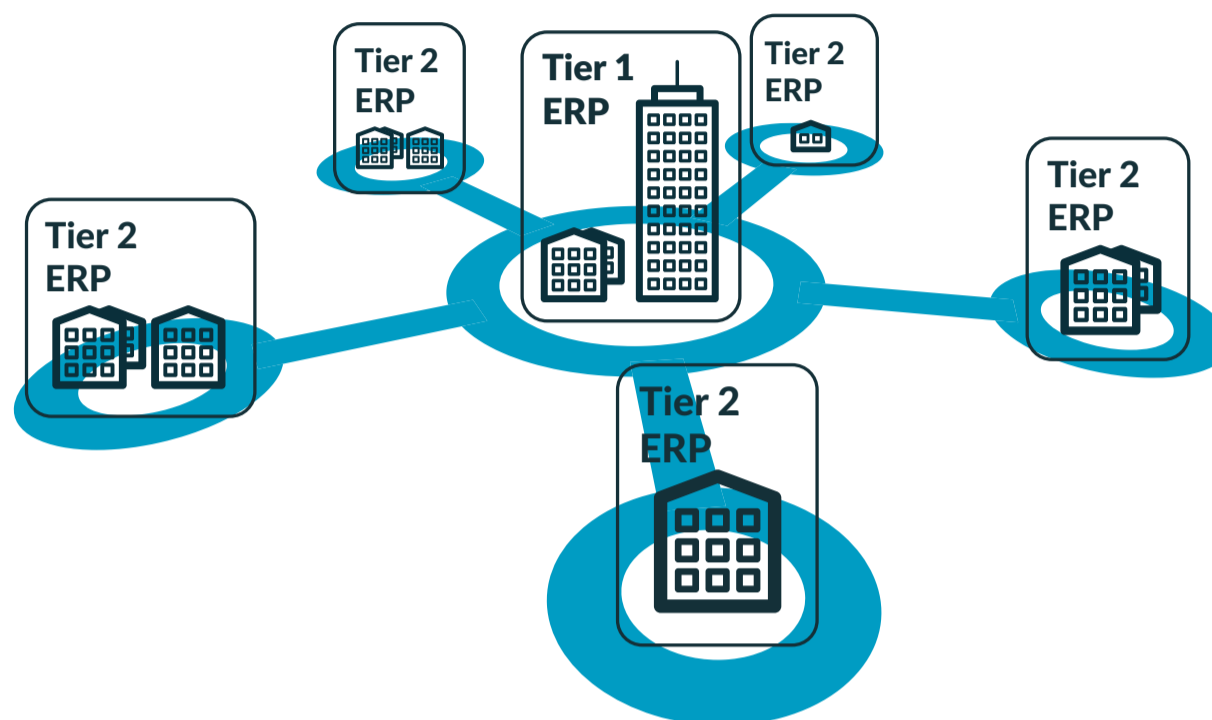
– Gartner Group

A Two-Tier model, with a Cloud-based ERP solution in place at satellites that integrates with a corporate SAP, Oracle or other ERP system, has emerged as a compelling option.

Dangers of monoliths



What is a Two-Tier approach?



According to Gartner Research, organizations typically choose from six common global deployment options for ERP when they have a central administrative ERP system.

In a Two-Tier ERP deployment approach, organizations keep their existing Tier-1 ERP systems at the corporate level while allowing divisions or business units to select a second ERP system.

The Tier-1, corporate ERP system acts as the global standard for running processes that must be standardized across all divisions, such as financials, human resources, and procurement. The secondary, Tier-2 ERP system supports subsidiaries' specific needs, usually for smaller operational requirements such as sales, marketing, field services, or local manufacturing.

The Tier-2 ERP solution can come from the Tier-1 vendor, or a second vendor, or a list of approved alternatives. Gartner says that the laissez-faire approach is the "predicament" that needs to be resolved with the Two-Tier ERP approach.

Drivers for Two-Tier adoption



Two-Tier ERP systems became increasingly popular during the economic recession that started in late 2008. As IT budgets were slashed, IT departments were forced to make do with less. In many cases, large-scale ERP migration plans were delayed or eliminated entirely.

Instead of moving to new systems, companies focused on improving existing systems, including legacy ERP applications. As a result, many organizations decided to retain functionality in their existing structures that were still working while migrating to Tier-2 systems where existing solutions were not meeting their requirements.

At the same time, organizations began realizing that big-bang, corporate-wide ERP installations are often ineffective.

When a system becomes very large, it becomes costly to customize, maintain, and upgrade. Deploying a complex, large-scale ERP solution to a subsidiary is particularly challenging because smaller divisions may not have the IT infrastructure and experience to customize and support the solution.

And because larger vendors have been slow to innovate, there's a good chance that a Tier-1 system will not offer the capabilities subsidiaries need to improve their competitive advantage. Subsidiaries need a more straightforward, flexible, yet robust and cost-effective system that delivers the same results while integrating seamlessly with the corporate system.

Additionally, Two-Tier ERP is a way to consolidate IT support – and reduce costs – in cases where organizations cannot adopt a single ERP solution. For example, many organizations have undergone multiple mergers and acquisitions that leave them with numerous ERP solutions - and unacceptable support costs. When such organizations cannot consolidate to a single ERP system, they are finding an answer to the problem with a Two-Tier ERP solution.

How to tackle a Two-Tier ERP Approach

Think big blocks

The smaller the blocks, the higher the frequency and the more complex the integration and processes need to be. Establishing the most straightforward integration line is the single most crucial decision.

Think about timing

Does the data need to be in real-time, or can it be in batch? How often do new products get added?

Think standardization

Even though there may be two different ERP solutions, a common approach to numbering, ways of working and technologies is critical.

Think about necessity

Keep dynamic data sharing to an absolute minimum.

Think about location

What is the best place to execute a function and then ensure connected functions are in the same ERP tier. An example of connected functions would be to purchase invoice matching. Keeping all the purchasing, goods receiving, and supplier invoice functions and data in the same ERP eliminates the need for data duplication. Getting this right will safeguard against an unsupportable level of integration complexity.

Think about departments

Clarify your departmental functions and keep the ERP boundaries the same so that users only have to transact in one system.





When to Deploy a Two-Tier ERP Approach

Given the benefits of a Two-Tier ERP approach, one of the biggest questions for an organization is when it should consider migrating to a Two-Tier ERP model. **The following 4 triggers** will almost always provide a positive return of investment (ROI) for transitioning to a Two-Tier ERP model.

1

EXPIRING SUPPORT CONTRACTS FOR CUSTOMIZED SYSTEMS

Many large companies with on-premises ERP in place at satellite operations have heavily customized those systems to meet their specific needs and have not kept up with new releases.

Over time, as SAP and Oracle end support for these old versions, companies face the choice of specialized support at a high premium (often priced at 23% to 25% of the net license fees per year) or the prospect of a costly and risk-laden upgrade. However, such an upgrade is seldom straightforward and can amount to a near re-implementation for satellites with heavily customized ERP.

By implementing a Two-Tier ERP strategy, moving smaller divisions to a Cloud-based ERP, these companies can address their dilemma at a lower cost, greater speed and reduced risk.

2

ACQUIRED SUBSIDIARY

If an SAP or Oracle customer has grown through acquisition, it will have accumulated multiple ERP systems, including home-grown systems and ERP systems from other vendors.

As these systems age, the expense of maintaining and customizing them increases every year. It reaches an inflexion point where it's more cost-effective to migrate to a new system rather than to stay on an old system. The customer is now at a crossroads - should they standardize on single-instance ERP, retire all their old systems, switch them to SAP or Oracle or maintain a hybrid environment and migrate some of the legacy systems at smaller divisions to a lower-cost Cloud system?

A Two-Tier ERP approach will significantly reduce the cost and risk associated with retiring these legacy systems.

3

DIVISIONAL SPIN-OFF

When a company is preparing to spin off a division, it may need to move to a separate system to meet regulatory requirements. Instead of implementing a separate instance of an SAP or Oracle system at that operation, the company can save time and money by adopting a Two-Tier ERP strategy and implementing a Cloud-based enterprise system for that division.

4

INDEPENDENT BUSINESS UNIT

A small business unit within a company – for example, a small niche services business unit within a more extensive product company or a small eCommerce division within a larger specialty retailer – may have a very different go-to-market business model from its other divisions.

Without extensive and expensive changes, the configuration of its single-instance ERP system will constrain its operations. This business unit should, for competitive reasons, move to a separate system. Instead of moving to another instance of an SAP or Oracle system that's configured to meet its specific process needs, the business unit can save a great deal of time and money by adopting a Two-Tier ERP strategy.

We believe that it is extremely cost-effective to migrate quickly to a Two-Tier ERP environment under these trigger situations. Any delay adds to the cost, risk or loss of competitive advantage in the marketplace. A Two-Tier ERP approach provides a significantly higher ROI than migrating to an SAP-only environment.



Benefits of a Two-Tier strategy

The Two-Tier ERP model, comprising a Cloud system and on-premises ERP, offers four principal benefits:

1 Lower capital and ongoing IT costs

2 Greater operational efficiency and visibility

3 Increased speed and flexibility

4 Support for regulatory and geographic requirements

Benefit # 1

Lower Capital and Ongoing IT Costs

As the IT budget tightens, CIOs are looking for ways to reduce IT spend without sacrificing key initiatives. In a Two-Tier ERP model, a Cloud-based system offering significantly lower total cost of ownership (TCO) since it eliminates the capital expenditures of software, servers, backup and network systems, and expenses for new release upgrades and support and maintenance contracts typical of on-premises ERP. Besides, their intuitive user interface significantly reduces the cost associated with user training and accelerates adoptions.



Benefit # 2

Greater Operational Efficiency and visibility

The process complexity in a large division is typically very different from that of a small division. In a Two-Tier ERP model, a Cloud-based enterprise system provides just the right process complexity for a small division or business unit without sacrificing the large division's needs, which may use SAP or Oracle. Besides operational efficiency, Cloud-based ERP in a Two-Tier model provides superior financial and performance visibility into satellites for the parent company.



Benefit # 3

Increased Speed and Flexibility

For many multi-entity organizations, speed is essential in capitalizing on opportunities with new subsidiaries, new markets, and new acquisitions. These companies can ill afford an on-premises ERP implementation that drags on for six or nine months or even more - mainly if the implementation is done sequentially across multiple locations. According to our research, Cloud solutions are typically deployed 50% to 90% faster than on-premises ERP.



Benefit # 4

Support for Regulatory and Geographic Requirements

When a large company is preparing to spin-off parts of its operations or forms a joint venture, it needs to deploy a separate ERP system in that organization to meet regulatory requirements while still ensuring that relevant financials can be rolled out for overall reporting purposes. A Two-Tier ERP model enables the large company to migrate the operations of that entity to a separate system in a very cost-effective manner and at a rapid pace. Besides, companies expanding into new territories often require specific support in their ERP system for the country or regional currencies, taxation, and language.



Boost your – entire – value chain

Business Central ERP delivers remarkable value across your entire business.

Explore how Business Central ERP gives you access to everything you need to manage your business better end-to-end, with rich functionality, instant insight, and the power to react in the moment.





PRODUCTION AND QUALITY MANAGEMENT

Improve your end-to-end operational efficiency.

- Drive efficiency with automated production
- Benefit from optimal traceability
- Streamline your quality management
- Track the entire material flow with MES



MARKETING AND SALES

Sell smarter and faster.

- Capture and grow leads with marketing automation
- Sell around the world with e-commerce
- Engage your customers with loyalty management
- Get the most out of telesales
- Handle events efficiently



WAREHOUSE & DISTRIBUTION MANAGEMENT

Transform complexity into increased efficiency.

- Benefit from transportation management
- Better control of excisable products with EMCS
- Increase warehouse efficiency with integrated scanning
- Get an easy overview of available products



FINANCE AND TAX MANAGEMENT

The tools you need to be a finance wizard.

- Benefit from automated financial management and accounting
- Handle multiple taxes with duty management
- Take the hassle out of deposit management
- Simplify your entire empty goods management process
- Benefit from easy discount management



BUSINESS INTELLIGENCE & REPORTING

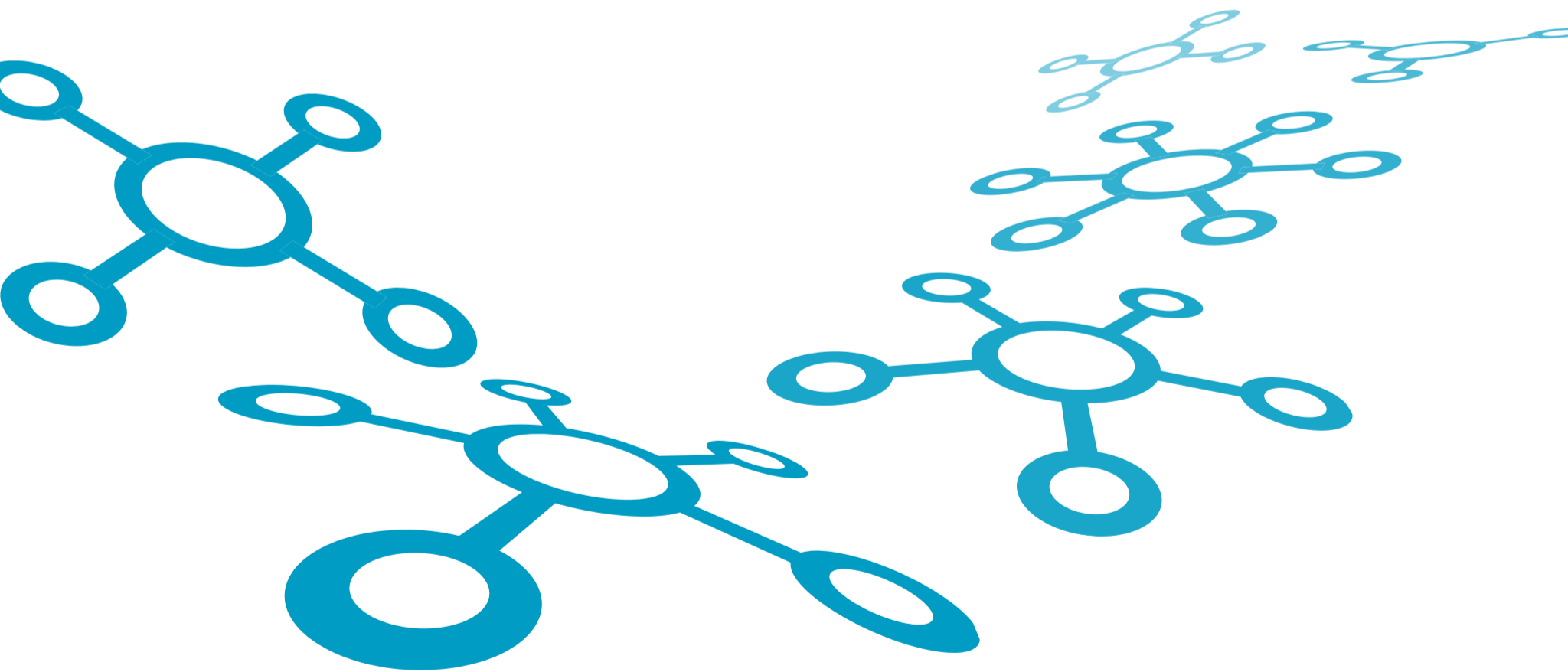
Catapult your business performance with powerful analysis.

- Get a sales accelerator
- Boost production transparency
- Enhance business management
- Tap into great financial management

Why companies select NORRIQs solution for their subsidiaries?

Many of our customers have discovered that implementing a Two-Tier strategy has become their critical growth factor. They no longer need to adapt or modify their corporate ERP solutions such as SAP or Oracle to accommodate their subsidiaries' needs. Instead, they can deploy a

second-tier ERP solution that is better adapted to small subsidiaries and emerging markets. Our Business Central ERP solution provides high usability and flexibility in this aspect. Our customers all need system agility and flexibility at a subsidiary level, combined with cost-effectiveness.



The **reasons** for selecting our Business Central ERP solution **rather than SAP or Oracle** to roll out to subsidiaries are:

- ★ Ease of use,
- ★ Time to implement
- ★ Enable best practice sharing
- ★ Better local controls and accountability
- ★ Upgrading flexibility

(as each country's implementation can be planned as per its individual business requirements).

These factors are all in addition to the most significant reason: **LOWER COSTS** – both upfront and operating costs in maintaining our solution compared to SAP or Oracle for the local subsidiaries.

More and more companies are asking this question: **Why pay more for cumbersome Tier 1 product implementations across subsidiaries and new markets?** A Two-Tier strategy has been one of the innovative approaches, as it clearly challenges the traditional model for ERP adoption.

To compete well in the future, traditional ERP implementation models need to innovate by transforming into Two-Tier models.

Business Central ERP can be implemented as a complete company solution in a production company or wholesale organization, or in a two-solution strategy as a smaller ERP next to SAP or Oracle. Many successful projects started with a single pilot that was extended to other units in a later phase.

To sum up, the parent operations and their subsidiaries/divisions have different business needs and circumstances. Microsoft Dynamics and Business Central ERP can present an ideal option to standardize subsidiaries into integrated business units and present effective integration tools and flexibility to run these diverse businesses.

Key take-aways

GET VALUE FROM YOUR SUBSIDIARIES FASTER

Whether you are integrating a new subsidiary or improving an existing one, your organization expects a quick return on their investment. With Business Central ERP, you let your subsidiary work in a quick and easy system to implement, with industry best practices out of the box, so they can focus on being productive and profitable. Meanwhile, you shorten the time until your headquarters starts receiving critical and reliable data to base their decisions on.

REDUCE YOUR TOTAL COST OF OWNERSHIP

Deploying a global ERP solution in a subsidiary is often challenging. They may lack IT infrastructure or other resources to fully implement and operate it, resulting in an unnecessarily high total cost of ownership. When calculating the costs associated with, for example, training employees or losses in productivity, Business Central ERP is significantly cheaper than the standard ERP system, and the costs are more predictable due to the templates-based rollout.

BENEFIT FROM A SOLUTION MADE FOR LARGE ORGANIZATIONS WITH AGILE CHARACTERISTICS

Rather than configuring a complex ERP system for each subsidiary – reinventing the wheel – you could work from a standard solution explicitly made for modern businesses. Immediately benefit from working with templates based on industry best practices and fine-tuned through use by successful companies all over the world, advised by our experienced consultants.

STAY COMPETITIVE IN EVERY MARKET

To stay competitive in a fierce, global market, multinational companies need to stay agile in every local market. Business Central ERP enables you to maintain full control of your subsidiaries without holding them back. Let local sales, marketing, finance, field service, and manufacturing information live in a system customized for, for example, their languages, regulations, tax codes and currencies.

Running SAP or similar is not a problem.

Business Central ERP easily integrates with your current global ERP, ensuring you continue getting the benefits of SAP or similar systems without forcing a big, complicated (and relatively expensive) ERP on all your subsidiaries.



We know what lies ahead when
implementing ERP in a
Hub and Spoke architecture.

Contact us for a free walkthrough of
your possibilities.

NORRIQ is always close. Call us!

(+45) 70 20 12 12
Web: norriq.com
info@norriq.com