

TWO-TIER
ERP STRATEGY:
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PUNCH

TWO-TIER ERP STRATEGIES INCREASE COMPETITIVE ADVANTAGE

For a variety of reasons, manufacturers have found that operating with a single-instance ERP system is like fighting with one hand tied behind their backs: it restricts their ability to compete. Companies looking for an advantage have found it in a Two-Tier ERP strategy. These companies have discovered that a second tier can save thousands of hours and millions of dollars in lost opportunities. It gives them the 1-2 knockout punch they need to floor the competition.

Why One-Punch ERP Isn't Enough

Manufacturing today requires flexibility and the ability to adapt quickly to change. While standardizing systems across business units provides some value, there are also large costs associated with the maintenance and implementation of these huge systems. As these systems grow in size, so does the cost. They become less flexible, slower to upgrade, and inhibit the ability to compete. Like an aging boxer, time is not their friend.



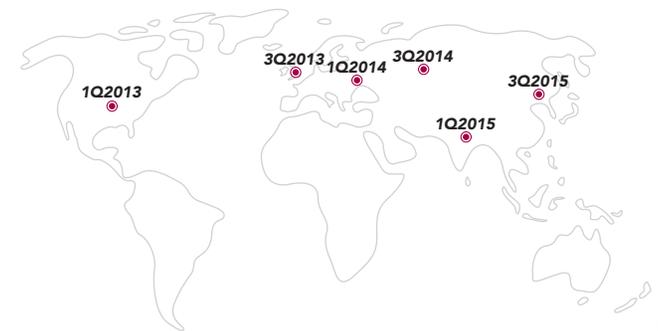
Increasing ERP Flexibility

The addition of Two-Tier ERP strategies gives manufacturers the flexibility to reach business opportunities that less-flexible systems can't.

Compounding the difficulty in building competitive advantage through an ERP system is the homogeneous nature of global ERP systems. When everyone is operating the same solution, they have the same capabilities and no competitive advantage is gained. Any move is easily anticipated and defended. The result is a draw.

Manufacturers often find that a single, global system can't address their specific, local, competitive needs and can be too slow to implement. After lost time waiting, the end result is a tremendous amount of compromise for a less-than-optimal system that can't deliver the competitive advantage they need today.

Global ERP Upgrade Schedule



Many companies are forced to schedule ERP upgrades years in advance due to the resources required and cost of implementation. It could literally be years before upgrades hit local shop floors. Then the process starts all over.

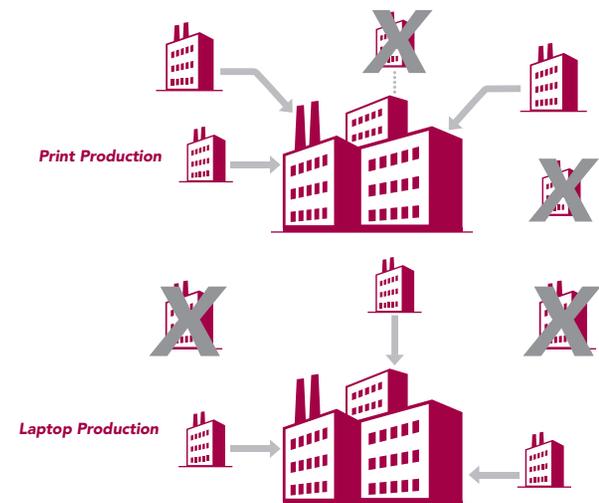
Four Winning Ring Strategies for Two-Tier ERP

The following are the best practices of complex manufacturers we've identified using Two-Tier ERP strategies to knock out their competition.

1. Go to the body—make local factories strategic in support of global value chains.

More often than not, competitions are won by executing rather simple actions consistently, over and over. In boxing, that means working the opponent's body. In manufacturing, that means operating with extreme efficiency at the local level. Two-Tier ERP systems provide the very specific localized data you need to operate in real time that global systems can't or don't accommodate. This information is what enables you to innovate at the local process level and adjust your product strategy globally.

Adopting to Production Changes



When markets change, being able to adapt and source locally delivers huge time advantages and eliminates production interruptions.

The example here shows how one global electronics manufacturer was able to quickly shift production from printers to laptops because of their ability to integrate with local supply chains.

2. **Eliminate distractions—conquer bad complexity.**

A boxer that takes his eyes off of his opponent is asking for a very short fight. Manufacturing is no different. Focusing on too many things or the wrong things leads to inefficiency. Simplifying every phase of the value chain is the key to rooting out unnecessary complexity and becoming more efficient.

"Inactivity is the biggest sin in boxing."

Sugar Ray Leonard, "Boxer of the Decade" for the 1980s.

Focus on Core Business Requirements



Eliminating unnecessary information enables you to focus on your core business differentiators and hit your competition where it hurts the most.

In a recent study, *IDC Manufacturing Insights* identified the following as the top three impediments to getting more value from existing ERP systems:

- 23.3 % - Existing ERP systems are too complex to integrate seamlessly with other existing applications.
- 20.1 % - Financial ERP and operational capabilities are weak or nonexistent.
- 18.4 % - Too complicated and expensive to upgrade.

What's behind these statistics? In many instances, the needs of different departments, divisions and country subsidiaries are outpacing the centralized ERP systems.

"All the time he's boxing, he's thinking. All the time he was thinking, I was hitting him."

Jack Dempsey, World Heavyweight Championship from 1919 to 1926.

3. **Stick with the plan—unite enterprise systems to a common strategic objective.**

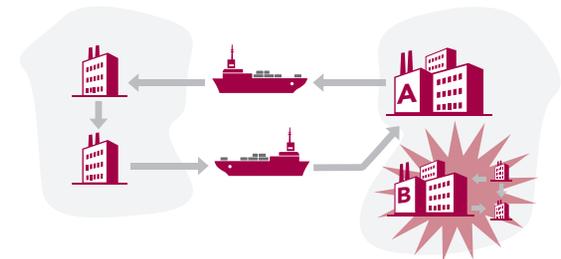
Just like a good fight plan, your ERP strategy should be designed to go the distance. Leading companies are using Two-Tier ERP systems as a central part of their strategy to streamline operations and gain customer insights over the long haul. It enables companies to keep pace with technology whether they're dealing with aging legacy systems, expanding into new markets or integrating acquisitions into the organization. Some of the advantages companies are achieving include:

- Cultivating the local supply chain
- Streamlining process management and new product development
- Increasing flexibility
- Improving channel assembly programs

"In boxing, you create a strategy to beat each new opponent; it's just like chess."

Lennox Lewis, Three-time Heavyweight Champion

Unite Systems to Improve Speed-to-Market



One manufacturer displaced a long-standing rival by cultivating a local supply chain while their competitor continued to outsource. By using a Two-Tier ERP strategy and sharing a common system of record through Master Data Management (MDM), this company successfully displaced 34% of its competition.

4. **Rely on your corner—capitalize on the knowledge of existing teams.**

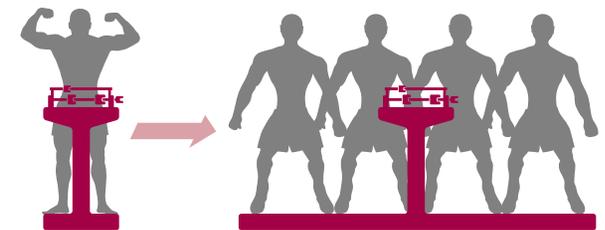
Nobody knows a boxer better than his corner. Similarly, nobody knows your business better than your in-house experts. Manufacturers that get the greatest benefit from a Two-Tier ERP strategy don't chase the lowest cost hour around the world. Instead, they make manufacturing a strategic role in their business models. They use manufacturing centers as a means to connect with, understand and ultimately gain market share in new markets through the following:

- Greater analytics and enterprise performance management accuracy
- Concentrating on accelerating business models and time-to-market rather than cost reductions
- Gaining a time-to-market advantage and penetrating new markets
- Capitalizing on analytics to become customer-driven

"Throw a straight left down the middle and we all go home."

Manny Stewards, Prince Hamed Naseem's cut man. (Naseem knocked out his opponent with a straight left in the next round.)

Experience Beats Low Cost



Local in-house experts enhance your strategic advantages while greatly reducing training, management costs and churn.

And the winner is ...

Two-Tier ERP strategies are enabling manufacturers to stay in step with customers' unique, changing and challenging expectations and needs. They have the potential to streamline new products and development, increase time-to-market and lead to greater cost and time efficiencies throughout a manufacturing network. Companies that don't have these abilities to maximize and fine-tune their ERP system to match their business strategies are going to be left behind or suffer a knockout punch from companies that do.

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FORM CMUS1203038 6/12

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