

The image shows two men in a warehouse. They are wearing high-visibility yellow safety vests over their work clothes. They are standing at a desk with a computer monitor. The man on the right is looking at the screen, while the man on the left is pointing at it. The background is filled with tall metal shelving units (pallet racks) stacked with boxes and other items. The lighting is warm and focused on the workers.

# STRATEGIES TO MODERNIZE LEGACY ERP



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Read Time: 4 minutes

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Last year, the CEO of a large software company bragged to a journalist about his base of on-premise, large company customers. He called it "Fort Knox", saying the core of his customers was "rock-solid" and implying that his entire customer base continues to renew its maintenance every year.

His comment adds to a common myth in the software market that large companies are content to stay with legacy solutions and do not adopt newer cloud, mobile and social solutions. The newer solutions, the argument goes, can only work for the small and medium enterprise.

Nothing could be farther from the truth. Analysis of customer feedback shows enterprises, large and small, are increasingly frustrated with their on-premise technology vendors. They also know the history of the software industry—few vendors successfully navigate major architectural shifts. Tired of waiting for these

vendors to modernize their environments, many customers are increasingly doing so on their own. We don't just see them in a handful of customers, these are now in the hundreds and thousands of customers.

Here are 5 of the popular modernization strategies:

- Two-Tier ERP
- Ring Fence
- Rip and Replace
- Next-gen application management
- Dip your toes

## Two-Tier ERP

In the 1980s, as AS/400s and LANs matured, many multinationals adopted two- or three-tier application strategies—a mainframe-based application for corporate and domestic subsidiaries and regional hubs, and decentralized versions for international subsidiaries. These days, with improved telecommunications around the world, many companies are deploying cloud applications in smaller subsidiaries, and do not even need local IT infrastructure or support in those countries. Visibility around the world and consolidation of results improves dramatically as a result of the global consistency. Additionally, the costs are significantly lower with companies paying only for a handful of users in each of the smaller subsidiaries.

Examples from the NetSuite customer base include the agricultural cooperative, Land O'Lakes which has been rolling out NetSuite across several global locations while continuing to leverage J.D. Edwards EnterpriseOne, Endeca and other Oracle products. Shaw Industries, the large carpet manufacturer, uses NetSuite in Asia Pacific while continuing with Oracle products in the US. ASICS which produces high performance footwear, apparel and accessories is implementing NetSuite as it expands across S.E. Asia while using SAP for corporate functions.

## Ring-Fence

One common strategy among many large companies is to “ring fence” back-office ERP functionality with specialist solutions. There

are some SAP customers who have deployed as many as 50 cloud applications around the core ERP product.

This approach gives them a chance to innovate at the edge and learn about newer cloud and other computing models.

An example comes from HP Software, now part of the new entity, HP Enterprise, which uses a single unified instance of NetSuite OneWorld to run mission-critical business processes including order-to-cash, revenue recognition, and multi-currency accounting. Other HP divisions continue to leverage SAP and surround it with cloud solutions from Salesforce, Workday, DocuSign and others.

## Rip and Replace

Many midsized companies, especially those being spun off by a parent or being taken over by private equity investors, often look at that “life event” as an opportunity to move to a completely new ERP system. While complete replacements can be painful surgery for the parents themselves, we are seeing a number of companies who are motivated enough to make the swap.

Examples include Brother Max, which focuses on care and feeding products for babies and toddlers which replaced SAP's BusinessOne with NetSuite. Adminovate, an enterprise software and consulting provider in the life, health and annuities industries, replaced SAP Business ByDesign with NetSuite. So has Greenberg, Inc, a research and strategy consulting firm. Commco LLC, a distribution and light manufacturing company, RedBuilt,

a commercial construction contractor, and Penguin Computing swapped out the SAP Business Suite. RedBuilt, the commercial construction contractor, replaced SAP and PeopleSoft functionality. Point6, maker of high performance apparel, and Lovesac, a furniture maker, replaced Microsoft Dynamics. As MongoDB, the database vendor, accelerates its growth it has replaced Intacct. Slingshot Sports has replaced Sage Peachtree.

### **Next-gen application management**

In the on-premise world, one of the biggest costs is around ERP application management. It is not uncommon to see Accenture or IBM with teams of 30, 50 or 100 staff supporting an SAP or Oracle ERP shop doing routine maintenance, small customizations and upgrades. Just to support SAP, both Accenture and IBM each have over 30,000 staff doing such work. Many customers are looking for ways to shrink that by moving to global delivery, offshore models or by bringing some of that outsourced work back in-house.

In the Netsuite cloud model many of those tasks are delivered as part of the subscription service. Additionally, around NetSuite, the outsourcing firm Infosys is delivering "Administration-as-a-Service". Infosys manages the NetSuite implementation at the customer and handles process queries and how-to questions, which allow users to implement new features as well as fix issues in business workflows and integration with other applications.

### **Dip your toes**

For many companies, baby steps to the cloud is the preferred approach. Modernizing their infrastructure is a confidence-builder to next tackle their ERP application. Many companies have been trying out cloud compute and storage services using Amazon Web Services, Microsoft Azure, Oracle IaaS and other public clouds. They find the costs much more competitive and service levels better than they are getting from their internal data centers or their hosting providers. Still others are moving to private clouds from a new breed of provider like Virtustream, Private clouds, typically, provide only a fraction of the economic benefits of public clouds, but many customers would prefer not to give up their customizations or feeling of control, and private clouds give them a level of virtualization savings compared to their prior hosting contracts. They also prepare them for the cloud "pay as you grow" model, shifting their previous infrastructure capex investments to opex budgets. Still others implement a cloud application in a division before attempting a larger implementation. In the NetSuite world, that was the case at Akustica (a division of Bosch) and also at Sioux Chief Manufacturing where they deployed cloud in two smaller divisions to "dip their toes."

*Tired of the pains of operating your legacy on-premise ERP? Break free from the pains you know – <http://www.netsuite.com/portal/solutions/legacy-erp.shtml>.*



## About the Author:

**Vinnie Mirchandani** has been called "The King of Wow" for his keen eye for technology-enabled innovation. His blog, *New Florence. New Renaissance.*, has cataloged over 4,000 posts of innovative products, projects, and people in work, life, and play. His books, *The New Technology Elite*, *The New Polymath* and *The Digital Enterprise* (written for Karl Heinz Streibich) have been widely praised as an "innovation firehoses". His latest books, *SAP Nation* and *SAP Nation 2.0*, are more investigative but carries his trademark style, which is case study-heavy. His books draw on the breadth of his blogs, extensive research and a global perspective from his travels to over 50 countries.

He is President of Deal Architect Inc, a technology advisory firm. The firm helps clients take advantage of disruptive trends like cloud computing and business process outsourcing (BPO) before they go mainstream. Between this firm and previous role at the technology research firm, Gartner, he has helped clients evaluate and negotiate over \$10 billion in technology contracts.

He spent his early career at Price Waterhouse, first as an accountant, then as a technology consultant (that division is now part of IBM). He has been quoted in most major technology and business publications, and he has presented at a wide range of industry events.

His sixth book, *Silicon Collar* will be released in September 2016. The book looks at how automation—machine learning, robotics, unmanned autonomous vehicles, white collar bots, exoskeletons, etc.—is changing the nature of work in over 50 settings. It is an optimistic read on the changing nature of work, a celebration of outstanding workers, and the machines which are making them even better.

