

Achieve cost-efficient competitive advantages with 'best-of-breed' ERP solutions and by standardizing the IT infrastructure

As recently as two years ago mid-sized companies still banked on large-scale ERP solutions. The job-order books were full, and as a result the high follow-up costs for these ERP solutions seemed to be easy to bear. Being able to depict the entire value-creation chain in one standardized system promised convenience and low-level technical expenditure for the internal IT department. It wasn't the economic crisis that first exposed certain problems with this course of action: Companies that had introduced a large-scale ERP system were frequently forced to see that it wasn't achieving the effects that had been hoped for.

"A large, full-scale ERP system can prove to be expensive for a mid-sized company when the follow-up costs in the form of licensing fees etc. exceed the system's original advantages," is how Dr. Carsten Witt, business unit head at INFO AG, an IT service provider in Hamburg, Germany, explains the situation. Frequently enough, no application is found for entire modules because they are of no benefit to the respective company or the know-how is missing to incorporate such modules into the company's own business process profitably. "Ultimately they still have to be paid for," as Witt puts it.

Yet even for enterprises in a position to make effective use of such a system to the fullest extent, banking on large, full-scale solutions poses a decisive disadvantage: How is a company supposed to set itself apart from its competitors when everyone banks on the same IT solution to enact their business processes? According to Witt: "If you want to be competitive you have to set yourself apart from the competition. With that in mind, IT ought to support business processes in a way that enables competitive advantages to be attained."

'Best-of-breed' solutions hold the promise of a major potential for putting these requirements into action. The idea behind this strategy: When it comes to business processes that are crucial to success, the best applications are selected for the respective company and brought together to form an integrated system. Particularly in the choice and conception of individualized subsolutions there are many opportunities to lower costs and increase one's own competitive edge. As Witt explains: "The better the applications are orchestrated, in other words to each other and coordinated to match the respective company, the greater the advantage with respect to the competition. Extensive knowledge of the industry involved is necessary to accomplish this, a factor that INFO AG possesses in the retail/wholesale, consumer goods and public sectors, among others." Instead of implementing large-scale ERP systems, it's becoming more

and more important to know which applications are going to have the greatest possible benefit for the business process. The only way to achieve a high degree of process quality, cost efficiency and competitive advantages is with an IT partner that knows the needs of the specific industry.

The tactical combination of individualization in the area of application systems and simultaneous IT infrastructure standardization has proven to be particularly worthwhile. Many IT budgets are apportioned extremely tightly so that hardly any leeway exists for changes. Savings achieved by standardizing the IT infrastructure make investments in 'best-of-breed' ERP systems possible: "By resaddling onto 'best-of-breed' companies attain more efficient system usage and future competitive edges. In contrast, short-term cost-cutting effects can be achieved by standardizing the IT infrastructure. Even though the strategies are diametrically opposed to each other, from a holistic point of view they make a lot of sense," according to Witt.

To design business processes as dynamically as possible companies must be able to rely on a flexible IT system. For Witt, a successful 'best-of-breed' ERP system distinguishes itself by enabling rapid action: "The faster the enterprise can react to changing market demands, the more successful the effects it achieves due to that speed."

As Witt puts it, nowadays reservations towards a patchwork-style conglomerate consisting of diverse applications are unfounded: "Integrating systems these days is not as difficult to enact anymore. It used to be that the different release cycles for the software products in use led to a high need for administration because the interfaces had to be adapted over and over again. Thanks to ETL technology and middleware solutions like SAP NetWeaver, today it's possible to make stably functioning data and process integration controllable on a lasting basis while producing them economically."

The concern that a 'best-of-breed' strategy might drive the costs of operation upwards is unfounded, too: "INFO AG is specialized at running the widest variety of systems for its customers. The services at INFO AG are governed by strict quality regulations and regularly certified in compliance with the standards DIN EN ISO 9001:2008 and ISO/IEC 27001:2005, and are also audited according to SAS70 II/IDW EPS 951 B. In addition to these, the service processes themselves are audited on a recurring basis pursuant to the principles of SAS70 II/IDW EPS 951 B. Our processes are closely aligned to the ITIL standard. All services are transparent, measurable and defined in Service Level Agreements (SLA)," Witt states.