Doug Borcherding | Partner

Our **Agenda**

➢ Meridian Overview

➢ Why ERP? Issues that may be holding you back

➢ Why ERP? The value of an ERP System

➢ How to evaluate your ERP options

➢ Common traps: What to look out for

Meridian **Overview**

An experienced NetSuite Solution Provider:

- Helping companies **enhance and grow** their business through NetSuite Application Solutions

- Decades of thought **leadership and business applications** experience

- Part of **MarketSphere Holdings**, consists of technology-based managed services, advisory and application technology businesses

- Located in **Kansas City and Omaha** with 20+ certified NetSuite Consultants

- **19 years' experience** with NetSuite as our sole focus on cloud ERP/CPM solutions

- Consulting heritage with technology implementation experience including a portfolio of **NetSuite solution extensions and intellectual property**

- **Extensive network** of partnerships and alliances

- **Meridian's proven implementation model** drives bottom-line results and operational efficiencies vs. technology only led projects

- **Operational end-user experience** in accounting, distribution/manufacturing and complex inventory management

INVENTORY MANAGEMENT   REPORTING & ANALYTICS   LEAD TO CASH   DEMAND PLANNING   SHIPPING & DELIVERY   PROCUREMENT   FULFILLMENT   ECOMMERCE   WAREHOUSING
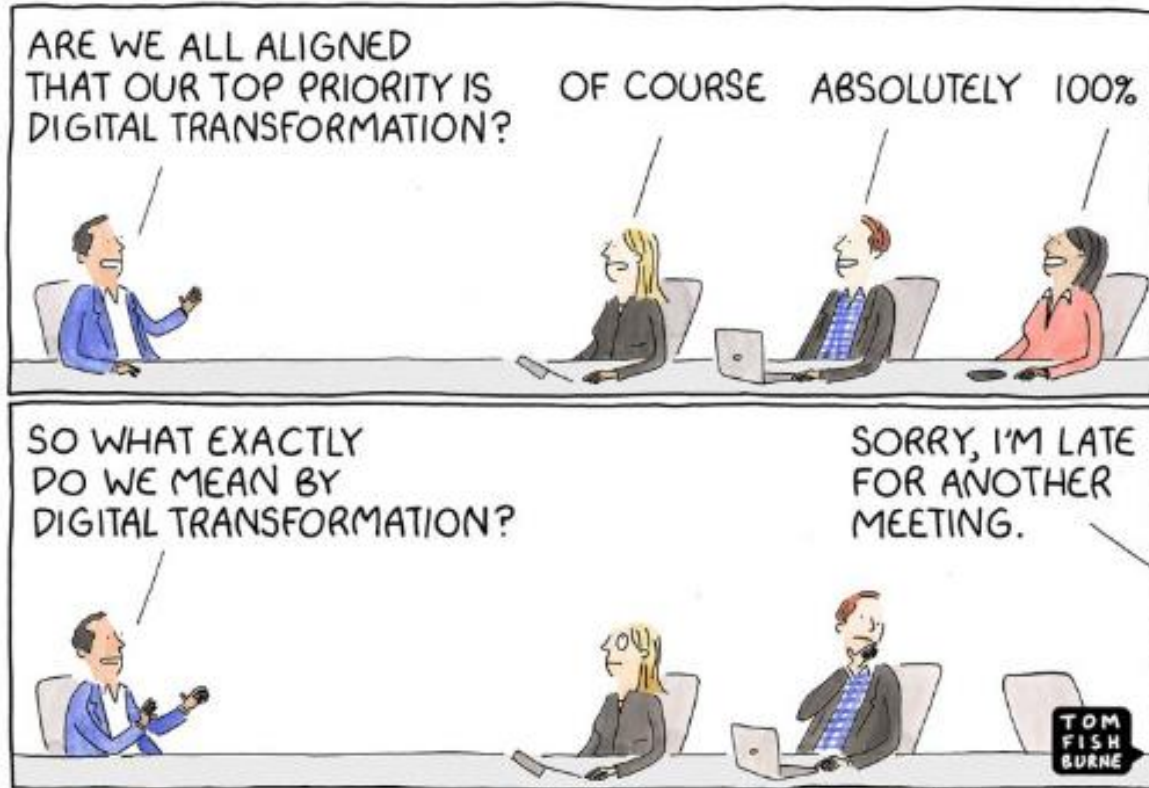
meridian BUSINESS

ORACLE NETSUITE Solution Provider

Why ERP?
Issues that may be
holding you back

Digital Transformation = **Organizational Agility**

- **Organizational agility** – the ability to quickly reconfigure strategy, structure, processes, people, and technology toward value-creating and value-protecting opportunities – is elusive for more.

- **Digital transformation** – the adoption of a technology platform that is scalable, functionally unified, and delivered with powerful process workflow tools is mandatory to survive in today's business landscape.
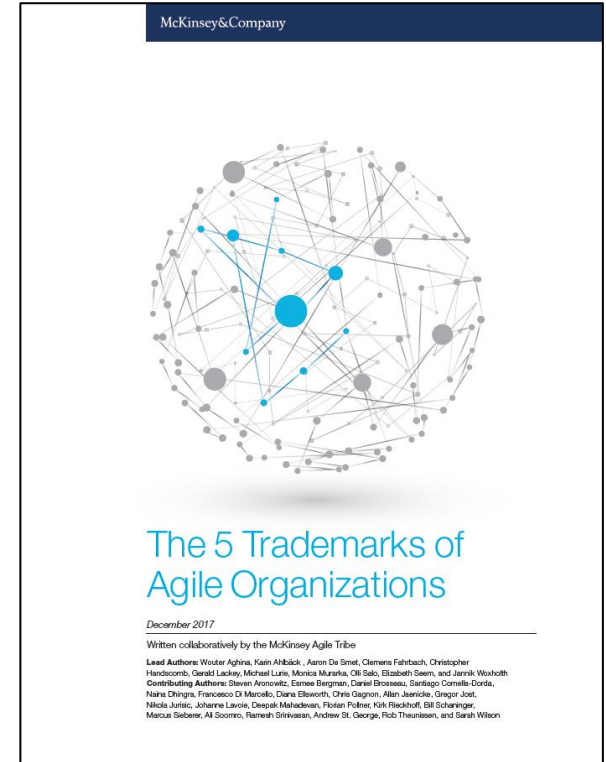

Source: How to create an agile organization

What is an **Agile Organization?**

The dominant "traditional" organization is a static, siloed, structural hierarchy – the goals and decisions rights flow down the hierarchy, with the most powerful governance bodies at the top (i.e., the top team). It operates through linear planning and control in order to capture value for shareholders. **The skeletal structure is strong, but often rigid and slow moving.**

In contrast, **an agile organization (designed for both stability and dynamism) is a network of teams** within a people-centered culture that operates in rapid learning and **fast decision cycles which are enabled by technology**, and that is guided by a powerful common purpose to co-create value for all stakeholders. Such an agile operating model **has the ability to quickly and efficiently reconfigure strategy, structure, processes, people, and technology toward value-creating and value-protecting opportunities.**

McKinsey&Company

The 5 Trademarks of Agile Organizations

December 2017

Written collaboratively by the McKinsey Agile Tribe

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The McKinsey Global Survey Results: How to create an agile organization
₁Karin Ahlbäck, Clemens Fahrbach, Monica Murarka, and Olli Salo, "McKinsey Global Survey Results: How to create an agile organization," October 2017, McKinsey.com.

" IT IS NOT THE STRONGEST OF THE SPECIES THAT **SURVIVE** NOR THE MOST INTELLIGENT BUT THE ONE **MOST RESPONSIVE TO CHANGE**

Charles Darwin (1809 - 1882)
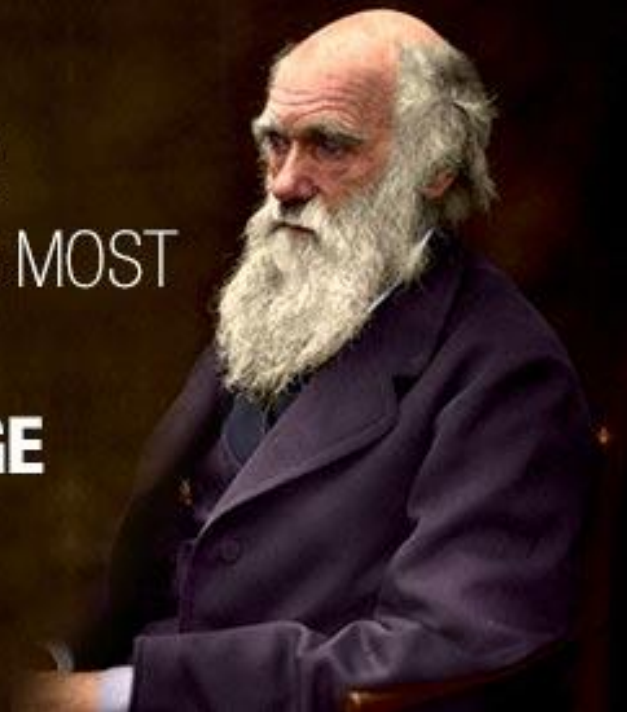
So, what issues are organizations typically faced with that hold them back?

Business Visibility

It's difficult to find out what's really happening across the business in real-time.

Symptoms of **Limited Business Visibility**

1.

Team members waste time playing "Hunt for the Spreadsheet"

2.

Management reports are error-prone and out-of-date
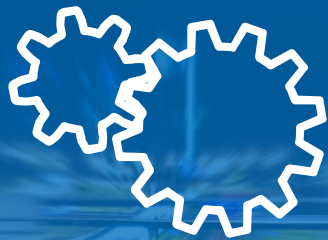
3.

Reports take too long to run

4.

It is impossible to get a comprehensive view across all business units

5.

Operational & Supply Chain data is held in silos or separated systems

Manual Processes

We have too many manual processes for entering and reconciling data across multiple systems.

Why Improve **Manual Processes?**

1.

Streamline communications

2.

Enforce accountability

3.

Minimize costs and manual errors

4.

Remove dependency on institutional knowledge

5.

Establish a clear approval hierarchy

Accounting Challenges

More accounting is done outside the financial system than in it.

Symptoms of **Accounting Challenges**

1.

Finance staff members must use several different applications to do their jobs.

2.

It is too difficult to add new sales channels, product lines or locations.

3.

It is impossible to adapt quickly enough to changing business conditions.

Access to Information

Revenue is lost because employees can't get information fast enough.

Symptoms of **Poor Access to Information**

1.

Customer service fails because agents don't have up-to-date information.

2.

Stock levels are never where we need them to be.

3.

Customers and vendors don't have access to self-service information on your website.

4.

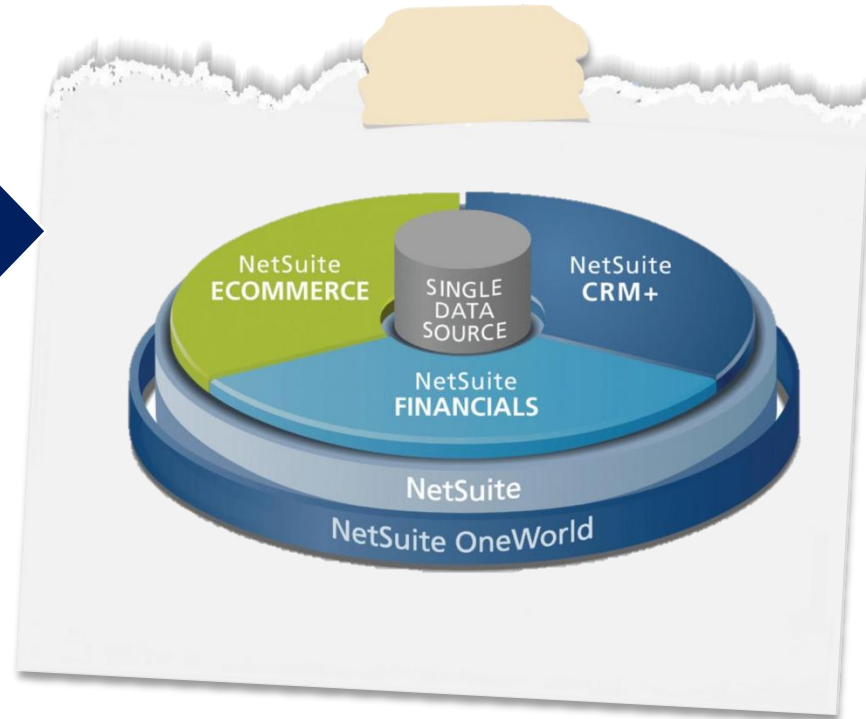Customer information can't be easily collected or filtered for use by ALL departments.

Technology Challenges

Our organization spends too much time worrying about technology instead of focusing on business results.

The Hairball Effect: A World Without Integrated Systems

Challenges Solved:

Fragmented Data / Processes in Silos / Multiple User Interfaces / Broken Transactions & Order Flow / Different Versions of the Truth

Why ERP?
What is the value of a modern system?

Six Qualitative **Reasons**

Why You Should Be Running Your Business From a Cohesive, Integrated System

1.

IMPROVES

employee performance
by monitoring
goals/achievement

2.

ALLOWS

management
by exception

3.

SAVES

time and money by
surfacing the right data

4.

REMOVES

human error and
improves accuracy

5.

FOCUS

your company on
priorities that matter

6.

INTEGRATE

various operations of your
organization and allow you
to scale business
processes

Manufacturing Value Tool Benchmark Improvement Statements

All Revenue Size

5% Increased eCommerce Growth	**3%** Increased Revenue Growth	**14 days** Reduced Days Sales Outstanding
2x Increased Inventory Turns	**2%** Increased Average Fill Rate	**6%** Faster Customer Service Response Time
9 days Reduced Time to Close the Books	**1%** Reduced IT Spend (as a percent of revenue)	**17 days** Reduced Time to Complete the Annual Budget
	1 FTE Delayed Human Resource FTE Hiring	
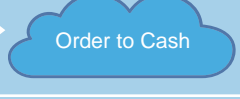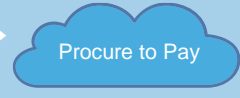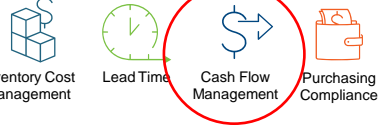
These *projected* business improvements have been validated with companies in this industry, based on the anticipated implementation of the NetSuite solution and adoption of the Leading Practices.

ORACLE NETSUITE

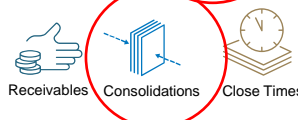| Process Area	Benefit	KPI Improvement Statements for All Revenue Tiers	Benefit Description
Commerce (all tiers)	**5%** increased eCommerce revenue growth	**eCommerce Growth** Customers, on average, anticipate a 5% increase in eCommerce revenue growth* after implementing NetSuite. *Based on 109 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Increased revenue
Sales & Marketing (all tiers)	**3%** increased revenue growth	**Revenue Growth** Customers, on average, anticipate a 3% increase in revenue growth* after implementing NetSuite. *Based on 276 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Increased revenue
Order Management (all tiers)	**14 day** reduction in days sales outstanding	**Days Sales Outstanding (DSO)** Customers, on average, anticipate reducing their days sales outstanding by 14 days* after implementing NetSuite. *Based on 239 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Improved cash flow Reduced interest cost or reduced cost of borrowing money
Supply Chain Management (all tiers)	**2X** increased inventory turns	**Inventory Turn** Customers, on average, anticipate increasing their inventory turns 2 times* after implementing NetSuite. *Based on 254 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Improved cash flow Reduced interest cost or reduced cost of borrowing money
Manufacturing (all tiers)	**2%** increased average fill rate	**Fill Rate** Customers, on average, anticipate increasing their average fill rate by 2%* after implementing NetSuite. *Based on 191 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Increased revenue
Support (all tiers)	**6%** faster customer response time	**Customer Service Responsiveness** Customers, on average, anticipate improving their customer response time by 6%* after implementing NetSuite. *Based on 130 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Labor cost avoidance
Financial Management & Reporting (all tiers)	**9 day** reduction in days to close books	**Days to Close the Books** Customers, on average, anticipate reducing their days to close the books by 9 days* after implementing NetSuite. *Based on 252 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Labor cost avoidance
Technology (all tiers)	**1%** reduction in IT spend	**IT Spend** Customers, on average, anticipate reducing their IT spend by 1%* after implementing NetSuite. *Based on 171 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Reduced expenses
Budgeting & Forecasting (all tiers)	**17 day** reduction in days to complete annual budget	**Days to Complete the Annual Budget** Customers, on average, anticipate reducing their days to complete their annual budget by 17 days* after implementing NetSuite. *Based on 72 financial benefit models created in the NetSuite Value Tool for unique Manufacturing customers.*	Labor cost avoidance
Human Resources (all tiers)	**1 FTE** delayed hiring	**HR to Employee Ratio per 100 Employees** Customers, on average, anticipate delaying the hiring of 1 additional HR FTE* after implementing NetSuite. *Based on 39 financial benefit models created in the NetSuite Value Tool for unique Financials First customers.*	Labor cost avoidance

ORACLE NETSUITE

BUSINESS FUNCTION	BUSINESS PROCESS		NETSUITE PREDEFINED WORKFLOWS	BUSINESS IMPACT
Engineering	• Product Design • BOM Management	PLM, Revision & Change Order Control Build BOMs and Routings, Resource Requirements, Project Management	Product Management	Capture Manufacturing Costs • Supply Chain Identification • Marketing Effectiveness
Sales & Marketing	• Campaigns • Opportunity Management • Estimating & Quoting	Prospect Capture, Forecasting, Pipeline Management, Commission Management Configuring, Contracts, Promotions, Mobile Access	Lead to Quote	Forecasted Revenue • Projected Inventory Demand • Sales Effectiveness/ Close Ratios • Rep Productivity • Pipeline Management
Order Management	• Input Type • Demand Planning	Quick Order Entry, Ecommerce, Portals, Direct Sales, Distributors Point of Sale, Mobile, Intercompany, EDI	Order to Cash	Customer Profitability • Cost to Serve • Profitability by Segment
Supply Chain Management	• Suppliers • Purchasing • Distribution Resource Planning	Portals, Performance, Supplier Management MRO, Buy Direct, Purchase Requisition, Supplier Collaboration, Drop Ship Demand Forecasting, Inventory Management, Allocations	Procure to Pay	Inventory Cost Management • Lead Time • Cash Flow Management • Purchasing Compliance
Manufacturing	• Scheduling • Work Order Management • Quality	BOMs, Routings, Costing, WIP, Work Orders, Resources Overload Notifications, MES, Production Management, Available to Promise, Seasonality Multi-Site, Serial and Lot Control, Compliance	Build to Demand	On Time Delivery • Fulfillment Costs • Inventory Controls
Service and Support	• Case Management • Warranty • Customer Self Service	Product Support, Warranty/Repair, RMA–Return Material Authorization, Rentals and Service My Account, Customer Portal, Knowledge Base	Call to Resolution	DSOs • Product Issues • Product Support Costs • Cost to Close
Financials	• Intercompany • Costing • Payment Management	Fixed Assets, Deferred Revenue, Project Accounting Revenue Reconciliation, Close Management, Multi-Currency, Taxation, Multi-Location	Financial Closing	Receivables • Consolidations • Close Times

COMMERCE READY – SUITECLOUD – MOBILITY

REPORTING & ANALYTICS   SUITEFLOW   GRC – GOVERNANCE RISK & COMPLIANCE   SDN – SUITECLOUD DEVELOPER NETWORK   HUMAN CAPITAL MANAGEMENT (HCM)

How to Assess the Benefits of an ERP System

What Do We Want to Accomplish? **Start with the end in mind**

Identify Top 3-5 <u>SMART</u>* Project Goals – What will define Success in 6-18 Months?

Example: In Next Three Years We Want to:
- Increase Net Income by 50% without staff growth
- Grow eCommerce by 1,000%
- Reduce Days Sales Outstanding (DSO) by 7 days
- Reduce close time by 5 days
- Increase fulfillment accuracy to 98.5%

Is there a facilitating event or timeline – What happens if we do nothing?

Example: Our maintenance contract with our current system ends Dec 31, 2025. We need to have a system in place.

Are there competing priorities?

Example: We are launching two new warehouse locations, we have a large capital investment in a new building.

*SMART GOALS = **S**pecific, **M**easurable, **A**ttainable, **R**elevant, **T**ime-Bound

Determine **Key Requirements**

Have departmental leadership and end-users provide requirements and wish list items.
- Identifying pain is easier than knowing what's possible
- Keep an open mind and be honest with yourself and solution providers

Are there any business processes or solutions that can't change
- Identify incumbent or custom solutions that will remain

Identify all current technology systems
- Beneficial to provide priorities on replacement (are you replacing one system or looking to replace all systems?)
- Beneficial to provide a diagram of your systems architecture and interdependencies

Identify potential process changes or flows & <u>prioritize by impact to the business</u>
- Ex: Moving from a paper-based warehouse to wireless mobile warehouse

How to Evaluate Your ERP Options

Keys to a Successful **ERP Project**

Corporate Engagement

- Top-Down Initiative
- Willingness to Change
- The Right Team Members (Evaluation & Implementation)

The Appropriate Platform

- Industry Fit
- Rich Functionality
- Easy to Use/Navigate
- Configurability (ie ease of adding fields/workflows/etc.)

- Access to Business Analytics
- Ease of Finding Resources to Support
- Self-Sufficiency
- Security

The Right Implementation Team

- Industry Experience
- Technical Knowledge
- Change Management Approach

- Implementation Methodology
- Long-Term Strategic Support
- Recognized Leader (i.e. Top-Tier Partner)

A Mature Solution Ecosystem

- Ecosystem Size/Sophistication
- Certification for 3rd Party Solutions
- Effect of Upgrades on 3rd Party Solutions

Six Steps to a **Successful ERP Evaluation**

1.

IDENTIFY YOUR TEAM & REQUIREMENTS

Collect detailed requirements and requests from key team members (leadership and end-users).

2.

IDENTIFY POTENTIAL PLATFORMS

Select 2 to 4 technology platforms to evaluate. You may want to have additional introductory conversations, but avoid evaluating more than 4 platforms.

3.

PERFORM DISCOVERY WITH EACH PROVIDER

Provide each solution provider access to key team members on-site for ½ to 2 days depending on size of company.

4.

REQUEST LEVEL OF FIT FROM EACH PROVIDER

Provide each solution provider with a template of the requirements/wish list and request for them to provide a level of fit for each.

5.

SEE A "DAY IN THE LIFE OF" DEMO FROM EACH

Set aside ½ to 2 days (depending on size of organization) for each provider to share an on-site detailed demonstration showing your business processes. Addtl. demos/discussions to follow.

6.

SELECT VENDOR / NEGOTIATE & REACH COMMERCIAL TERMS

Select the right vendor based on feedback from the eval. team using a weighted score card. Ensure that long-term function/fit is a top priority over TCO -- This typically provides a better long-term ROI.

Project Engagement **Guiding Principles**

Execute with **Teamwork, Collaboration and Ownership**
- We are ONE team striving for the same goal and that is to be successful deploying a stable, standard solution that is widely accepted across the organization
- Timely implementation within budget – meet milestones and project deadlines, monitor spending and deliver on budget
- Questions are encouraged, answers must be prompt, expertise must be easily accessible, and all users have a role in helping bring peers along with this change
- **We set the stage – the processes we define are the processes we own**

Establish the **System Foundation** that allows you to support ongoing operations while continuing to scale and enhance for future initiatives
- **Recognize this is the first, foundational step – manage expectations within the confines of scope to ensure success**
- Make decisions with a vision towards the future
- Do what is right, not what is easy

Enhanced **Consistency, Integrity and Transparency** through an integrated enterprise-wide platform
- Alignment and standardization of business processes is critical to our success – reduce explained and unexplained variation
- **Decisions are made in the best interest of the entire organization with each piece of the business having a voice**
- Thorough data validation and testing are not optional - poorly converted data lives with us forever
- Collect information in sufficient detail so that the organization - even years later - can understand how the results flow from the raw data, without having to make interpretations or investigations

Capitalize upon **Operational Efficiencies** gained through the adoption of new technologies
- Reduce manual work effort with automated business processes whenever possible
- **Be open to new ideas, approaches and techniques – build what is needed, not what exists**
- **Change the current business process rather than changing the software – customizations should only be for competitive advantage**
- **Train and educate the user base so users achieve system proficiency prior to go-live**
- Rely on the system

What to Look Out For

Do's

- Have a clear understanding of the top two or three reasons that you're kicking the initiative off in the first place
- Pick your leadership team from a cross-section of operating areas
- Keep an open mind when it comes to process flows.
- Have a clear issue escalation path with a defined final decision-maker
- Follow an incremental approach – Remember it's a journey, not an A → B destination
- Have an Administrator on staff at project initiation or train a team member who will become the NetSuite Administrator starting Day 1
- Utilize training courses in advance for key business users

Don'ts

- Make decisions by consensus
- Go into it with a definitive start and end date in mind
- Expect a single solution to solve all your company's problems
- Run systems in parallel
- Avoid Going Live January 1st – But do Go Live the first day of a month (if possible)

Solution Partner/Vendor Considerations

Will the team you are working with through the sales process be involved with the implementation team?

- Avoid a bait and switch scenario where there is one team "selling you the solution" and a separate implementation partner comes in for the implementation.

- Avoid offshore implementation work.

Will the organizational leadership be available as part of the executive steering committee?

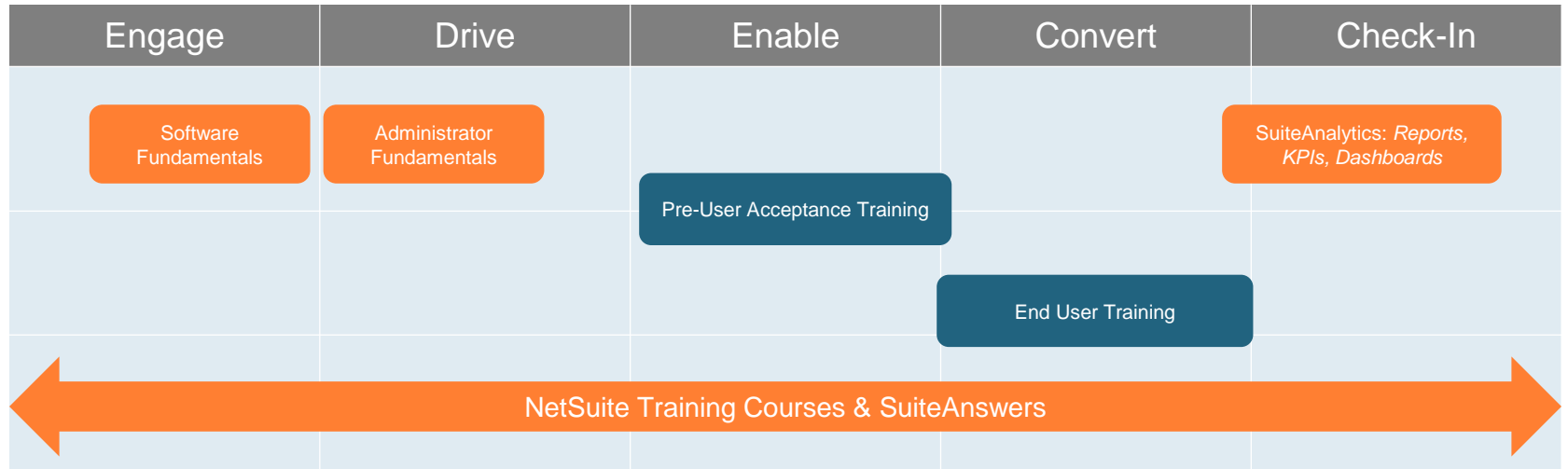**Will the partner assist with the integration of third-party solutions?**

- Even with certified third-party solutions, it is beneficial to have your implementation partner involved in any ERP configuration required and for project management, ensuring overall success of the complete solution.

What Training is Available?

- Can departmental power users start training at the start of the implementation?

- Are there multiple options available for training -- i.e. on-demand, classroom, virtual, etc.

Do NOT Ignore the Benefits of an
Incremental Training Plan

Engage	Drive	Enable	Convert	Check-In
Software Fundamentals	Administrator Fundamentals	Pre-User Acceptance Training	End User Training	SuiteAnalytics: *Reports, KPIs, Dashboards*

NetSuite Training Courses & SuiteAnswers

■ Project Team Training
■ End User Training

Take the Industry Fundamentals course ASAP, within the first 30 days or sooner!—*key to implementation discussions*

Take the Admin Fundamentals course within the first 30-60 days—*learn daily Admin tasks that are also important during configuration*

Commercial Terms **Considerations**

Consider your purchase a Long-Term commitment:

- What configuration/commercial terms will provide the best long-term advantages, i.e. Often consider 5 year terms.
- While staggered/phased purchase of modules/users may provide lower cost, can a better long-term deal be negotiated with up-front purchase of the whole solution?
- What are the budgetary or organizational risk factors that have most impact on the business?
    - Share/discuss these with the solution partner – the options can be surprising

Understand your future technology needs and future negotiating leverage

- Don't underestimate the power of organizational growth to support "renewal" contract negotiation strength

Leverage your selected vendors' timetable to create goodwill and a win/win scenario

Risk **Mitigation**

Risk/Challenge	Impacts if Realized	Mitigation Approach
Lack of Visibility to Executive Support	• Project direction and goals are not firmly established • Project team does not feel empowered	• Establish active Executive Steering Committee • Clearly define the "why this is critical to our business" message and communicate throughout project
Aligning Expectations and Scope	• Missed opportunities for leading practices • Delayed Design completion • Increased rework in later project phases • Go-Live date slippage and cost overruns	• Set expectations up front with all stakeholders and reinforce throughout the project • Implement out-of-box leading practices wherever possible • Conduct detailed scope alignment discussions, gain consensus and signoff
Scope Creep	• Added project complexity, effort and duration • Go-Live date slippage and cost overruns • Loss of original system intent	• Require deliverable sign-off • Conduct regular status meetings involving all stakeholders • Actively manage issues/risks on a weekly basis • Create a future phase prioritization list
Poor User Acceptance	• System not used correctly • Users perform tasks outside the system • Poor employee morale	• Incorporate training and knowledge transfer through all project phases • Provide exposure to system throughout the project • Solicit input from the core and extended project team
Insufficient Migration, Integration & Testing Validation	• Data accuracy issues • Impact to business operations • Significant post go-live defects/issues	• Plan for multiple migration validation and testing cycles • Structure project for tight coordination with integrating third-parties • Follow a formal testing approach with scenarios and sign-offs
Cut-over Execution Issues	• Impact to business • Go-Live date slippage	• Monitor go-live readiness weeks before go-live • Execute mock go lives • Test and manage to a detailed Cutover Plan

Thank You!