NETSUITE

What's Next for ERP?

Phil Wainewright
CEO, Procullux Ventures and ZDNet
blogger on Software as Services

'Soviet era software' is a phrase that neatly sums up all that's wrong with that generation of business systems, originally designed in the twilight years of the Cold War era, that still permeates the enterprise landscape today. Centrally controlled, oppressive for users, and inflexibly operated to a grand plan set out years in advance, they are the antithesis of what modern enterprises demand today. Chief amongst them is ERP, with its name – 'enterprise resource planning', for goodness' sake – that evokes the centrally planned ethos of that era. But while it's commonplace to predict its downfall, it's not so easy to say what comes next.

One certainty is that cloud will play a key role. NetSuite customers know better than most organizations what a difference the cloud makes. They've experienced for themselves the pay-as-you-go economics, version-less upgrading, operational flexibility and real-time business visibility that cloud platforms enable. They've also started to uncover important pointers to the future. They are beginning to realize the ways in which these changes allow them to transform working patterns and business processes, yielding new operational efficiencies and competitive opportunities.

By understanding how organizations are taking advantage of cloud ERP to reshape their businesses, we can begin to discern what lies ahead for enterprises as they move their systems to the cloud. That in turn can tell us what new demands they'll place on their business systems, and thus how the ERP application platform itself must evolve to allow them to take full advantage of all that the cloud brings.

Business Impact of the Cloud

Ask any technologist about the impact of cloud computing and they'll tell you how it changes the underlying technology. Ask any business person what the cloud means to them and you'll probably hear them talk about ecommerce, on-demand resources, mobility and social media. The business people have got this right; the impact of cloud computing goes way beyond the technology infrastructure. The fate of long-established industries such as booksellers, music publishers and classified advertisers, whose traditional business models have been hollowed out by the ease of online distribution, bear witness to the scale of changes that can occur. Many common business processes are undergoing equally dramatic changes. In fields as diverse as recruitment, sales prospecting and spend management, tardy and error-prone paper-based processes are giving way to far more speedy and efficient on-demand automation.

When considering the business impact of the cloud, key attributes include global connectedness, mobile access, real-time information, ease of automation, remote collaboration and ready access to on-demand resources. Here are five important business trends that these attributes are enabling.

1. **Frictionless enterprise.** The title of my forthcoming book on the business impact of cloud, this term sums up how the cloud is breaking down many of the previous barriers to interaction and change. By removing much of the friction that used to get in the way when enterprises connected with customers, employees and partners, the cloud is enabling the emergence of innovative new business models and patterns. Online distribution, automated supply chains, real-time dashboards and customer self-service are just a few examples of frictionless enterprise in action.

2. **Globalization.** The global reach of cloud platforms affects several dimensions of business. Internally, it makes it easy for organizations of all sizes to consolidate information, co-ordinate teamwork and ensure consistent processes across all their locations worldwide. Looking beyond

⚡ To find out more, contact NetSuite Inc. at 1-877 NETSUITE or visit www.netsuite.com.

the confines of the enterprise, it brings external resources within reach that previously were unavailable, from skilled workers to innovative suppliers. Finally, the cloud makes it easier to enter markets in new geographies, supporting customers and local staff with remote working, virtual resources and collaboration.

3. **Cloud-shoring.** In place of traditional offshoring, the cloud makes it possible to access external resources on demand, irrespective of location. Whether it's computing power, website design or call-center agents, cloud-shoring allows you to access the resource as you need it, pay a globally competitive rate, and only pay for what you use. Those resources may be on the other side of the world, but they could just as easily be a stay-at-home parent or enterprising jobseeker from your own local area – using the ubiquitous reach of the cloud to reshape their employment prospects.

4. **Auto-scaling.** The architecture of the cloud has built-in elasticity that allows you to match resource usage to your needs from day to day. The result is that enterprises no longer have to plan their capacity months in advance and have much more flexibility to expand or contract aspects of their operations in response to the business environment. This in turn lowers the barrier to business innovation, since the cost to launch a new initiative is low, and it's easy to scale back down again if the idea doesn't work out.

5. **Iterative innovation.** Because cloud platforms are already up-and-running, the timescale from defining a business need to implementing an operational process can be shortened to weeks or even days. This is a complete reversal of the old model, when changes were put on hold for weeks or months until the business could afford to shut down for a wide-ranging technology upgrade. This compression of the innovation cycle makes it easier to iterate and fine-tune the process until it's right, plugging in changes on the go instead of having to wait for the next refresh window.

The Five Trends Reshaping ERP

These concepts of rapid change, auto-scaling and ease of innovation are not ones that we associate with the ERP of old. They depend on re-architecting ERP as a cloud application stack in the way that NetSuite and other leading-edge cloud vendors have done. But it doesn't stop there. Cloud ERP platforms allow enterprises to re-architect their business operations and that in turn creates a new set of demands. Once an organization realizes its new-found agility to respond to business opportunities, it becomes keenly aware of how rapidly the highly connected cloud business environment is changing the world around us. Here are five additional trends that are reshaping the nature of ERP itself.

1. **Mobilization.** The rapid spread of smartphones and tablets is a new revolution in how people access and interact with online resources, reinforcing the trend towards anywhere, anytime access to computing. People are increasingly comfortable working on the move and they expect to be able to access up-to-date information and all the functionality of enterprise applications wherever they are. Cloud platforms have built-in connectivity that makes it easy to extend computing to users wherever they happen to be, supporting the latest smartphone platforms and enabling employees to view, analyze and act on information and applications on the road, at home or in remote locations. This is now a basic expectation for modern business systems and ERP has to keep pace with it.

2. **Social and collaboration.** The cloud is about connecting people as much as it's about connecting systems. It collapses distance, letting people interact and collaborate across geographies and time-zones to achieve results. Modern business systems have to be able to tap into the social networking and remote collaboration tools that enterprises are using today to

To find out more, contact NetSuite Inc. at 1-877 NETSUITE or visit www.netsuite.com.

facilitate this new virtualized approach to teamwork. ERP has to be able to connect into these social frameworks, keeping people in the loop with up-to-date information while empowering them to collaborate more effectively.

3. **Information on demand.** In the era of manual processes and stove-piped organizations, batch transfers of information and warehousing of historic data for analysis were sufficient to meet the needs of the business. In today's hyper-connected, 24x7 business environment, workers not only demand near real-time information flows, they also want to choose on-the-fly how the information is reported and analyzed for them. ERP has to deliver these information flows coupled with built-in analytics and flexible reporting that user's control, leading to better informed decision making that can respond effectively to the demands of the always-on business environment.

4. **Connection imperative.** The cloud brings information and resources closer together, enforcing simpler, easier connectivity. The ease with which new resources can be plugged in demands a different approach to integration, one that can easily connect to customers and partners, can on-board new resources and plug in new capabilities without missing a beat. This is one of the biggest challenges for the next generation of ERP, requiring an unprecedented level of standardization and automation of interfaces.

5. **Specialization.** Continuous adaptation depends on a sophisticated combination of standardized platforms overlaid with increasingly specialized services. The common platform is more cost-effective for developers to write to, increasing the supply of best-of-breed capabilities tailored to individual vertical needs. Marketplaces for add-ons leverage the ease of plugging in new capabilities to a single, shared operational instance, making available a huge breadth of options and applications. ERP ceases to be a monolithic application stack and instead becomes a shared platform on which enterprises assemble the vertical or specialized capabilities that match their specific needs.

The end of the Cold War in the 1990s brought a wave of radical change sweeping across Eastern Europe. Similarly today, the only constant in ERP's immediate future is constant change. ERP needs to become more adaptable and eventually will morph into a pluggable cloud platform that not only supports the robust performance, reliability and security needs of every enterprise but is also sufficiently adaptable and flexible to cater to the specialized requirements of each individual organization. Cloud provides the dynamic shared architecture to support this vision and the components that will make it a reality. It is up to enterprises meanwhile to hone their business operations to take full advantage of all these new capabilities. Business and ERP are both being transformed by the cloud, whether it's small companies going global at high speed or larger companies bearing down on costs while enhancing global consistency and business agility.

Phil Wainewright
CEO, Procullux Ventures and ZDNet blogger on Software as Services

For more than a decade, Phil Wainewright has been a trusted thought leader in cloud computing, as a blogger, analyst and consultant. He maintains a popular blog on software-as-a-service on ZDNet and serves as vice-president of EuroCloud, a pan-European business network promoting cloud services and applications. He is CEO of strategic consulting group Procullux Ventures, where he advises top cloud vendors on messaging, positioning and go-to-market strategy. His forthcoming book, Frictionless Enterprise, describes how forward-looking enterprises are harnessing the cloud for business transformation, redefining best practice for successful organisations in the 21st century.

To find out more, contact NetSuite Inc. at 1-877 NETSUITE or visit www.netsuite.com.