ERP Implementation Best Practices: Manufacturers and the Cloud Delivery Model

PLEX
THE MANUFACTURING CLOUD

At a Glance:

- This paper highlights the five advantages of on-demand cloud ERP systems.

- ERP systems based on the cloud model meet manufacturers' financial goals: low initial capital expense, reduced ongoing operating costs, and a short time to value.

- Three "stories from the trenches" describe how real-life manufacturers benefited from the Plex Manufacturing Cloud, the leading cloud ERP solution for manufacturers.

PLEX.COM | 855.534.8012

PLEX
THE MANUFACTURING CLOUD

ERP Implementation Best Practices: Manufacturers and the Cloud Delivery Model

Following one of the most difficult economic environments in decades, manufacturers around the world have been reevaluating their ERP systems. Aerospace and defense manufacturers, automotive suppliers, food and beverage manufacturers and others are looking to implement ERP systems that cut costs, streamline operations, and improve performance.

"It's more critical than ever to keep ERP projects alive – especially using the cloud delivery model."

Criteria for Success

ERP implementations have traditionally been judged by three financial criteria: initial capital expense, ongoing operating costs, and time to value. Yet, leading analysts find that the majority of ERP implementations rarely come in on time, often cost more than estimated, and deliver unsatisfying results.

These implementations are associated with on-premise, legacy systems that necessitate complex programming, heavy investments in servers and software, training, and disruptive version control.

Cloud Solutions

On-demand cloud ERP solutions are increasingly attractive to the enterprise that welcomes the ability to extend scarce IT resources.

Industry observers note that cloud solutions offer a dramatically faster implementation process. Competitive pressures accelerate deployment of technology that supports re-engineering and business process automation. No longer can the manufacturing enterprise afford lengthy, months-long IT development cycles and competition for limited IT resources.

Timing Is Everything

In a recent report*, analysts find that when the economy takes a dip, a knee-jerk reaction may be to stop discretionary spending on ERP implementations — just when ERP's cost-saving potential is needed the most.

In fact, it's more critical than ever to keep ERP projects alive – especially using the cloud delivery model.

Using ROI estimates to cost justify projects and measure results, researchers conclude that the most effective implementations produce twice the reduction in inventory levels and other improvements as the industry average.

With inventory reductions and administrative cost savings, the majority of best-in-class companies expect ERP to pay for itself within two years. A well-managed ERP implementation can also be a continuing source of cost savings and operational improvements which help companies thrive.

Five Key Advantages

Here are five compelling advantages of the cloud model.

1. **Faster Time to Value:** ROI is more critical than ever. Cloud ERP implementations streamline all stages of the lifecycle including requirements gathering, process improvements, testing, and training. A cloud ERP implementation is a complete, prebuilt application. It is also more cost-effective to scale to multiple locations or suppliers/customers.

2. **No Up-Front Capital Expense:** Subscription pricing is a major departure from on-premise legacy ERP solutions. Manufacturers hit the ground running and scale to meet broader business needs. The pay-as-you-go model minimizes risk because an enterprise can roll in applications based on business need. Companies can, for example, implement shipping first, inventory management second, and so on. Charges from the vendor are a business expense, rather than capital expense, making it cost-effective.

> "With subscription pricing, charges from the vendor are a business expense, rather than capital expense, making it cost-effective."

PLEX.COM | 855.534.8012

PLEX
THE MANUFACTURING CLOUD

3. **Minimized Operational Costs:** The costs and resources required for ongoing maintenance, support, system performance, and version control all go away with a cloud solution. Data security, globalization, feature enhancement, connectivity, and safety are the responsibility of the vendor, freeing the manufacturer to concentrate on core tasks. In addition, true multi-tenant architecture allows every customer to instantly benefit from system enhancements.

4. **Less Technical Resource Intensive:** With true cloud ERP, those on the shop floor — closest to the manufacturing process — can do more implementation and application development. With a simple drag-and-drop interface, users can create custom reports or fields without code. Non-IT employees create applications that change to adapt to shifting needs.

5. **Simplified Integration:** Gartner estimates that up to 35 percent of the implementation costs associated with on-premise ERP applications is for integration. Cloud ERP makes integration with other applications or hardware faster, easier, and less risky.

The Cloud in Action: Three Stories from the Trenches

CAMACO, a leading seating systems solutions provider, had experienced frequent failures and lost data. Its aged EDI system used a dial-up connection, was driven from a PC, and relied upon a modem to send and receive data. Since the software was also out of date, support was no longer available.

The company needed an up-to-date systems solution that would address its network issues while reducing its high maintenance costs and expensive hardware and software upgrades. With an eye toward the future, CAMACO wanted an integrated, all-encompassing solution so it would not have to hire a database administrator or a third-party consultant to develop additional modules or provide custom support.

The company found that Plex Cloud ERP met all of its requirements and did not require any up-front capital investment. Today, Plex provides a completely integrated, real-time MRP/ERP system in all of CAMACO's locations. Thanks to Plex's on-demand model and its exceptional service, the company has been able to manage the new system without having to hire additional staff.

CAMACO was pleased to find that the system provided even more benefits

PLEX.COM | 855.534.8012

PLEX
THE MANUFACTURING CLOUD

than originally expected. Plex's multi-tenant architecture ensures that data, information and reports are accessible to all of CAMACO's locations in real time, and that all locations benefit from system enhancements seamlessly without any additional steps or "patches." The new system has enabled CAMACO to improve its inventory management, traceability, productivity, and production planning so it can continue to thrive.

Okay Industries, Inc. (OKAY) is a stamping, machining and prototyping company specializing in precision metal stampings for the medical and surgical device industry, defense and firearms industry, and specialty industrial and automotive markets.

The nature of its business requires that OKAY comply with many ISO requirements. These requirements have changed often over the years, and each adjustment required the creation of at least one new, specialized database. As a result, OKAY's managers soon found themselves with 18 different databases that integrated with each other through "patches," but not with their UNIX server.

This UNIX system was accessed by administrators with terminals, but there was no access on the shop floor. Because data accessibility was spotty at best, all of OKAY's management reports had to be created manually.

OKAY implemented the Plex Manufacturing Cloud to simplify and integrate its systems. Without having to make a large start-up capital investment, the company was able to make real-time information accessible to everyone. Today, users at all levels of the company can easily pull data from various modules and produce useful, real-time reports electronically.

OKAY did not have to add any personnel, either to launch Plex or manage system maintenance afterward. Because data security, globalization, feature enhancement, connectivity, and safety are all the responsibility of Plex, the operational costs to OKAY were significantly reduced over time.

Jagemann Stamping Company (JSC), a full-service stamping company, needed a lower-cost information system in order to reduce waste, improve productivity, and respond more quickly to market changes.

Prior to implementing the Plex Manufacturing Cloud, the company used dissimilar systems on different platforms; spent significant time applying various

PLEX.COM | 855.534.8012

patches, updates and upgrades; and created redundant, isolated programs and reports. Its systems did not natively communicate with one another.

Jagemann chose Plex to replace and enhance its previous collection of systems. Plex had the modules that JSC needed running on off-site servers housed by Plex Systems, requiring JSC to provide only an Internet connection and inexpensive personal computers. This significantly reduced Jagemann's ongoing maintenance costs.

Plex was launched in less than six months, and JSC did not experience a single late customer delivery or manufacturing order. Because the system required less technical resources to support it, JSC was able to redeploy some of its IT resources to continuous improvement projects. By refocusing these resources, the company generated more than $200,000 in savings within the first three months after Plex's launch.

*"*Measuring the ROI of ERP: Keeping Projects Alive Just When You Need Them the Most" benchmark report by Aberdeen Group, a Harte-Hanks Company.*

PLEX.COM | 855.534.8012

About Plex

Plex is the Manufacturing Cloud, delivering industry-leading ERP and manufacturing automation to nearly 400 companies across industries including aerospace and defense, food and beverage and motor vehicles. Plex pioneered Cloud solutions for the plant floor, connecting suppliers, machines, people, systems and customers with capabilities that are easy to configure, deliver continuous innovation, and reduce IT costs. With insight that starts on the production line, Plex helps companies see and understand every aspect of their business ecosystem, enabling them to lead in an ever-changing market.