Mint Jutras

The Many Ways Cloud Can Facilitate Growth

Making Enterprise Business Systems Pay Dividends

THE MANY WAYS CLOUD CAN FACILITATE GROWTH

FROM TALENT MANAGEMENT TO GOVERNANCE, RISK AND CONTROL

Every company has aspirations to grow. Growth is exciting, yet it can also be challenging, especially for those companies that have already experienced early stage growth and are now settling in for the long haul. While that early growth may not necessarily have been easy, all the low hanging fruit has been picked and the clear and easy paths to growth have already been travelled. Operations are more complicated now and new paths to growth are riskier. It is no longer easy to keep your business simple and the solutions that got you to your current size may not be sufficient to power you through to the next level of growth.

You need to start thinking and acting like a big company long before you have the budget or the staff of a large enterprise. In order to maintain good governance and control, provide a high level of business consistency and efficiency, and speed decisions that minimize risk, you need to arm yourself with the right enterprise applications and technology. A next generation Enterprise Resource Planning (ERP) solution running in the cloud may just be the ticket to scale your business.

THE PATH TO GROWTH

Growth aspirations aren't new. Companies have always looked for opportunities to expand and grow either organically or through mergers and acquisition (M&A). And let's face it: There are only so many different ways your company can grow. You either add new products (or product lines) or sell more of the products you already offer. That may sound simple enough, but, more often than not, it is anything but simple.

If you are looking for new products to spur growth, adding new products may mean simply improving, repackaging or configuring existing products. Yet it might also involve inventing, developing or creating entirely new products, or diversifying your portfolio through M&A. While product life cycles used to span decades, in many industries they have shrunk dramatically, along with windows of opportunity. Innovation and new product introduction needs to happen fast in order to make a real impact on growth.

For those dealing with a physical product, having design and engineering teams work in their own functional silos without collaboration and integration

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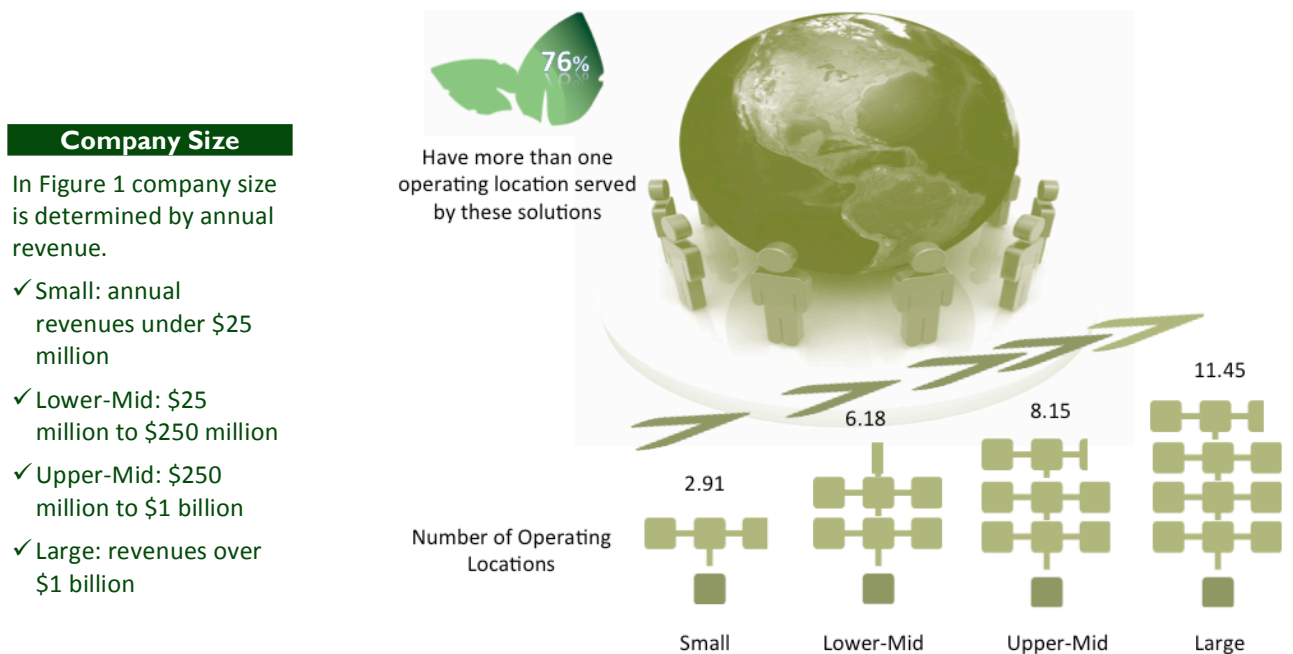
with manufacturing and sales is no longer an acceptable path to growth. And companies selling services aren't exempt from the need for collaboration between those on the front lines and those designing the next new offering, approach to market or even new business models. This becomes even more challenging as front lines expand.

Those front lines often expand during growth spurts because "selling more" of your existing products may require you to acquire and manage more talent of your own or develop new indirect channels. But adding more feet on the street has its limits. At some point you will saturate the markets where you already participate and start to experience the law of diminishing returns. At that point, or even long before it, you need to expand into new territories.

Growth oriented companies have been dealing with the challenges of global, complex supply chains and a distributed work force for decades now. Operating across a distributed environment has become a way of life for a large percentage of businesses today, even smaller ones. In fact 76% of all survey participants in the 2016 Mint Jutras Enterprise Solution Study had more than one operating location served by ERP (Figure 1). Even small companies (those with annual revenues under $25 million) average 2.91 operating locations, and that number grows steadily as revenues grow.

Figure 1: Environments Are More Distributed and Remote

Source: Mint Jutras 2016 Enterprise Solution Study

Company Size

In Figure 1 company size is determined by annual revenue.

✓ Small: annual revenues under $25 million

✓ Lower-Mid: $25 million to $250 million

✓ Upper-Mid: $250 million to $1 billion

✓ Large: revenues over $1 billion

Historically the best opportunity for expansion was in established economies. The likelihood of that continuing is low. Today completely new markets are

opening up in emerging economies. Innovation, advanced technology and the Internet have combined to create new consumer middle classes in countries that were hardly industrialized a short decade ago, creating unprecedented growth opportunity. Not only does this result in increasingly remote and distributed environments, it also adds risk and creates new challenges in maintaining governance and control. These opportunities also bring companies into uncharted territory. Not only is the demand for product and services untested, but also there is no rich pool of local talent well versed in business and technology.

At the same time expectations are accelerated: consumers, shareholders and Wall Street all expect everything to happen more quickly. To capitalize on this opportunity, growing companies will need to take some chances and be willing to fail, but fail (or succeed) rapidly in order to move on to the next opportunity. They will need to leverage technology in order to manage, maintain control and reduce risk, and do so at a rapid pace. They can't afford to take years to implement solutions to run the business. And they may not have the deep pockets or the time needed to build out infrastructure half a world away from their established locations.

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CLOUD ERP TO THE RESCUE. No capital expenditure required; no need to build out a data center, or even put hardware or a huge information technology (IT) staff in country. And for years now Mint Jutras research shows that solutions delivered as software as a service (SaaS) reach their first go-live milestone faster than in traditional, on-premise deployments.

The access any time, from anywhere nature of a cloud solution is conducive to supporting distributed users and bringing up remote sites rapidly and easily. While cyber-security is an understandable concern to all today, SaaS solution providers not only deliver added security, but also the peace of mind of business continuity in the event of a disaster, either natural or man-made.

THE TALENT FACTOR

Technology is a key enabler in helping you grow faster, with less additional headcount. Back office applications streamline processes for additional productivity and efficiency. For manufacturers and distributors, automation has already replaced people (and jobs). But for very significant growth, you still need more people, particularly as you expand into new parts of the world. And you need to bring them on and get them up and running quickly and easily.

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But in emerging economies, you can't assume you have the same pool of skills and business maturity that have traditionally been available in well-established economies. Those that do have business skills, and may be your best conduit for dealing with cultural issues, may not be tech savvy. Even in

mature economies we see quite a difference between Baby Boomers that might not be tech savvy, but have extensive experience and business skills, and Millenials that are very comfortable with technology, but lack business experience. This creates a discrepancy between the generations in terms of definition of "ease of use" of software (Figure 2), not only in perceptions but also in willingness and ability to make use of the tools.

Figure 2: Top 3 Most Important "Ease of Use" Factors by Generation
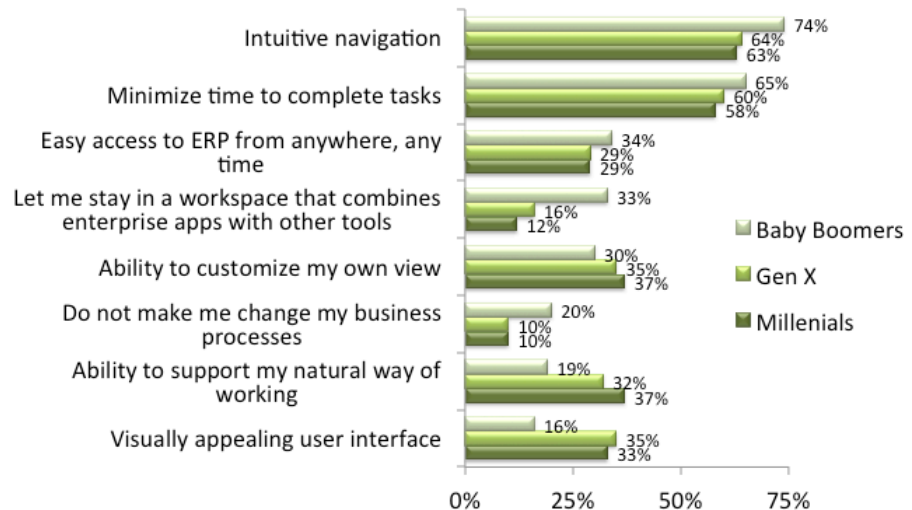
Source: Mint Jutras 2016 Enterprise Solution Study

We started capturing the age of our survey respondents last year and found comparisons of the three dominant generations in your typical work environment fascinating. Last year, we saw some very dramatic differences. The more tech-savvy the generation, the more "ease of use" was about the visual appeal of the user interface. Millenials, which are likely to have never used software for which a user manual is required, seemed to take intuitive navigation for granted. Baby Boomers, having done things "the hard way" for years, were most concerned with getting the job done expeditiously. For them, having tools that truly mirror the business, maximize efficiency and are also intuitive to navigate were equally important.

Just one year later we're seeing more of a convergence of views on ease of use. Intuitive navigation is most frequently selected as a "top 3" concern across all generations, followed closely by "minimize time to complete tasks." These two of course go hand in hand to maximize productivity and eliminate wasted time. But these survey respondents were almost exclusively from mature economies (95% were from the United States) where enterprise applications have been generally available for many years, and next generation ERP solutions help bridge the skills gap, guiding younger workers

through business processes and tempting more mature workers with newer technology. Don't expect that same bridge to exist in emerging economies.

In emerging economies, not only are business skills relatively scarce, but also you may have no technical skills to speak of. Even their Millenials did not grow up with the same access to consumer electronics and technology. Your talent pool may very well have the business skills of the Millenials, but the technical comfort level of a Baby Boomer; in other words, the worst of both worlds.

ERP can help, but only with a new generation of modern applications. By automating processes around best practices, companies can essentially teach local talent the business and enforce standard business processes. Putting it in the cloud puts corporate headquarters and those in key established locations, in a much better position to be able to effectively monitor use and actions from afar.

Putting new generation ERP in the cloud can be an effective response to the people challenge, particularly in terms of the "anytime, anywhere" nature of web-based access, easily connecting employees across the globe and providing a platform for collaboration and an implementation template that can become the blueprint for growth.

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THE RISK

Emerging economies present unprecedented new opportunities. But the risk is greater because you are dealing with an increased number of unknowns. In entering these new economies you are betting on new consumers and blossoming industries behaving similarly to known entities in established economies. Statistics are sketchy at best and forecasts are sometimes little more than educated guesses. Smart companies don't put all their eggs in a single new basket. The more quick bets you can take, the higher the likelihood of achieving the kind of growth you seek.

Cloud solutions allow you to fail (or succeed) faster. You are able to get in quickly for lower startup costs. If the opportunity plays out, you succeed faster. If not, you have not invested in a lot of infrastructure (hardware, data centers, networks, etc.) that you may end up leaving behind as you move on to the next bet.

While cloud and SaaS has reached a climax in terms of hype cycle, it is clear that many still don't truly understand the potential benefits. But those with experience running SaaS solutions have a clearer understanding. For the past several years the annual Mint Jutras Enterprise Solution Study has asked survey respondents what they found appealing about a SaaS solution. Through

the years, cost savings have risen to the top of the list, including lower start-up costs, less investment in IT staff, less cost (and disruption) of upgrades and lower total cost of ownership.

Over the last three years we have been able to separate out a significant segment of the survey population that is actually running a SaaS ERP and compare it to the portion that were still in the "consideration" stage. In 2016 we separate these two groups of respondents (SaaS and not SaaS) and present them similar questions but ask them differently. Both are given a list of potential benefits. Those not running SaaS are asked to choose all they find appealing about SaaS. Those that are running SaaS solutions are asked what benefits were actually realized.

Table 1: Anticipated versus Realized Benefits of SaaS

	Anticipated Benefits	Benefits Actually Realized	% More than Anticipated
We have substantially lowered our risk	29%	46%	59%
Ability to treat as OpEx versus CapEx	37%	52%	41%
Improved IT security	35%	46%	31%
More viable business continuity plan	35%	45%	29%
Ease of bringing up new remote sites	26%	33%	27%
Speedier business innovation	20%	25%	25%
Ease of remote access for distributed workforce	49%	54%	10%
Lower start-up costs	33%	35%	6%
More innovationthrough more frequent updates	41%	43%	5%
Elimination of hardware & associated maintenance	45%	47%	4%
Lower total cost of ownership	47%	49%	4%
Reduced cost and effort of upgrades	57%	52%	-9%
Reduced or eliminated IT staff	45%	37%	
More strategic use of our IT resources than just "keeping the lights on"		52%	

Source: Mint Jutras 2016 Enterprise Solution Study

Two observations jumped out as we contrast these two segments. First of all, those running SaaS ERP clearly see more benefits. Secondly, the appreciation for addressing growth risk factors increases the most.

Risk mitigation is just one of several benefits Mint Jutras believes is still under-appreciated. Even those running in a SaaS environment are still discovering all the possible gains. For example, as growing companies expand globally, the ease of bringing up remote sites in a SaaS environment can be a significant enabler of growth and yet this benefit is overlooked by two thirds of our survey pool. But perhaps due to the relative "newness" of SaaS as a preferred deployment option, many have yet to experience this benefit. Of course, our survey participants sit in different parts of the organization and play different roles. Different roles offer different perspectives and therefore find different aspects more appealing.

MAINTAINING GOVERNANCE AND CONTROL

Delivering financial and business process consistency is particularly challenging for companies that are growing. This level of governance and control is even harder in undeveloped countries where management may need to play hardball – enforcing these levels of control may be akin to ramming them down local throats.

Mint Jutras defines World Class using a composite metric which includes:

✓ Actual measured results experienced since implementation
✓ Progress made in achieving company-specific goals
✓ Current performance in selected KPIs

The top 15% of survey respondents comprise "World Class." The remaining 85% are referenced as "All Others."

Figure 1 showed just how distributed environments have become. In days gone by, each of these operating locations would have been left to their own devices to select, implement and manage a business solution of their own choosing. This was not conducive to either financial or business consistency and made interoperability between sites that much more difficult. That situation is changing rapidly today. The vast majority (85%) of multi-location companies have established corporate standards for ERP and this percentage rises to 96% for World Class implementations (Figure 3).

Figure 3: Have you established corporate standard for ERP?

Source: Mint Jutras 2016 Enterprise Solution Study
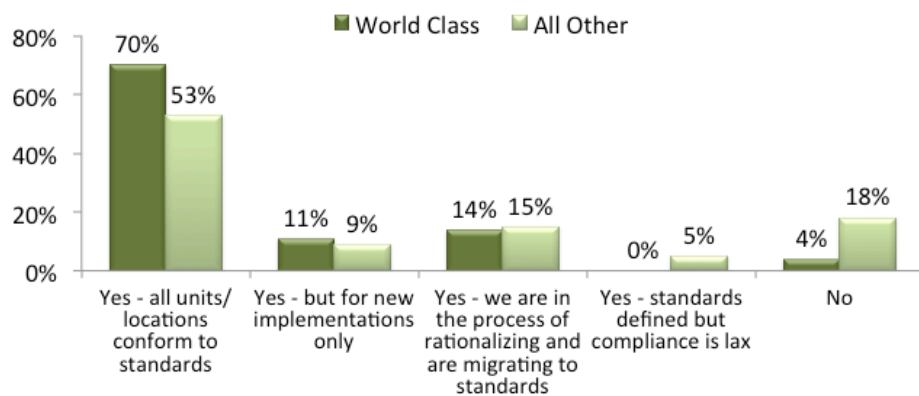
What better way to enforce these standards than by rolling them out through a standard implementation template of a SaaS solution that is defined and managed centrally? A cloud solution aids both operational and financial leaders in implementing standard cross-organizational business processes more effectively.

However, our survey respondents are in different stages of fully adopting and enforcing those standards. Companies in the small to mid-size range today (that are growing) would be well advised to get those standards firmly in place before the average number of operating locations grows to the 11.45 observed in the average large enterprise.

What better way to enforce these standards than by rolling them out through a standard implementation template of a SaaS solution that is defined and managed centrally? A cloud solution aids both operational and financial leaders in implementing standard cross-organizational business processes more effectively. Look for a solution with industry best practices built in, tailor them for your corporation and use these best practices as a blueprint for growth.

This becomes even more important if growth comes through mergers and acquisition. Oftentimes acquired companies come with ERP already installed and implemented. The best-managed acquisitions are executed with speed and clarity. Leaving existing solutions alone might seem like the fastest route, but leaving that solution in place and unchanged pretty much guarantees standard processes, practices and metrics will not be adhered to. And this may not even be a feasible option if the acquisition is also a divestiture. In this case it is likely the new owner will have a very short window before that existing system becomes very expensive.

Of course the new owner could purchase and install new hardware and software, but this never happens overnight. And corporate decision-makers could mandate standard processes and practices even with solutions installed on premises, but they would need to be monitored, often from afar. This certainly does not provide the same level of access, insight and control into remote operations. And remember those remote operations, particularly those in emerging economies, are not without risk.

Consistent business processes and visibility throughout the enterprise lead to better operational governance and control and risk management.

Consistent business processes and visibility throughout the enterprise lead to better operational governance and control and risk management. A cloud solution helps integrate new parts of the organization, whether these new parts come from organic expansion or M&A. Emerging economies or even new territories in mature economies may add requirements for new accounting standards, currencies and tax jurisdictions. "Cloud" alone does not insure these are all properly handled, so look beyond deployment and make sure you have the proper financial features and functions as well.

BETTER VISIBLITY MEANS BETTER DECISIONS

Both strategic and operational decisions will be required to continually assess progress and potential of new markets. Cloud ERP can be effective in connecting the ultimate executive decision makers responsible for engineering the growth to the data needed for those decisions.

Figure 4: What level of access do your top-level execs have?
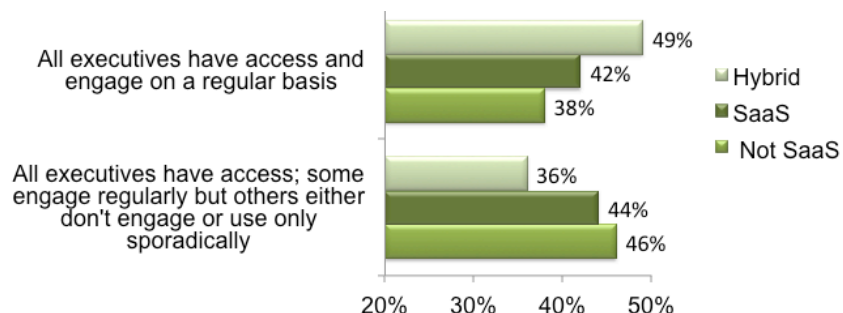
Source: Mint Jutras 2016 Enterprise Solution Study

Those occupying the C-suite no longer have to rely on IT and super users for answers. By eliminating that level of separation, removing delays and drawing their own conclusions, not clouded by the judgments, unsolicited opinions and interpretations of others, they can feel confident in making decisions quickly.

Gone are the days when top-level executives could afford to wait for subordinates and super-users to access and interpret data for them. While we have observed tremendous progress in connecting these executives directly to ERP, those transitioning to or using SaaS-based solutions are getting there faster (Figure 4).

What does this mean to those occupying the C-suite? It means they no longer have to rely on IT and super users for answers. Instead they can directly access enterprise data and get their own answers. By eliminating that level of separation, removing delays and drawing their own conclusions, not clouded by the judgments, unsolicited opinions and interpretations of others, they can feel confident in making decisions quickly. Of course with this new level of transparency comes bad news for those in remote locations accustomed to filtering and adding a shade of rosiness to the picture. There will be no more hiding places.

SUMMARY AND KEY TAKE-AWAYS

Companies looking to take these big, bold, giant steps will also face challenges. Emerging economies add to this tremendous growth opportunity, but also add risk and talent challenges.

Never before have companies experienced such potential for growth – not small incremental growth, but huge unprecedented opportunity. But those looking to take these big, bold, giant steps will also face challenges. Emerging economies add to this tremendous growth opportunity, but also add risk and people challenges. Along the way comes the need to tighten the reins on governance and control.

The cloud can be a tremendous facilitator of growth. To capitalize on growth opportunities, companies will need to take some chances and be willing to fail, but fail (or succeed) rapidly in order to move on to the next opportunity. Cloud solutions require less capital expenditure, and can be put in place without building out data centers and recruiting staff hired just to keep the lights on. Cloud software implementations can speed the process through faster times to "first go live" milestones.

If growth is bringing you into emerging markets, you will need to recruit local talent, but you will likely not have the same pool of skills, comfort with technology and business maturity that are available in well-established economies. So software that is easy to use is no longer a "nice to have" and becomes a critical necessity.

Cloud alone will not guarantee software is easy to use, or that it provides the needed functionality. Solutions that were born in the cloud are much more likely to be based on new technology and designed to meet the growing needs of today's business. Some solutions will be offered both on-premise and in the cloud. Examine these carefully. Some will be far more modern and take fuller advantage of web technology.

Cloud solutions allow you to fail (or succeed) faster.

While growth opportunities abound, growth never comes without a certain element of risk. Cloud solutions allow you to fail (or succeed) faster. Particularly when you expand into new territories, you are able to get in quickly, with lower startup costs. If the opportunity plays out, you succeed faster. If not, you have limited your capital expense and are able to move on faster and with fewer regrets.

And throughout the growth process you need to maintain an acceptable level of governance and control. What better way to enforce corporate standards than by rolling them out through a standard implementation template of a SaaS solution that is defined and managed centrally? A cloud solution aids both operational and financial leaders in implementing standard cross-organizational business processes more effectively and gives them the visibility into the business needed to continually assess progress and the potential of new markets.

Yes, growth can be exciting and it can also be challenging. Arm yourself well with the right enterprise applications and technology. Consider cloud ERP as an important component of your arsenal as you battle for market share.

For more information on how cloud innovation can grow your business, please contact us at sales@abvt.com.au