

WHITE PAPER

ERP+BPM = Process efficiency and agility



Executive summary

Businesses are constantly striving to innovate and achieve cost efficiencies and agility at the same time. The two seemingly opposing goals can now be achieved by intelligently merging mature and emerging technologies.

The paper explores how ERP systems that bring about process standardization, efficiency and agility, can be augmented with BPM tools to support process innovation. This hybrid approach creates a flexible and mature process platform which can be a competitive advantage for businesses.

ERP challenges in the connected world

Over the past two decades, ERP solutions have played a major role in enabling enterprises standardize the way information is recorded, presented and used. They have enhanced process efficiency, speed of decision-making and operational excellence.

ERP solutions were conceived and evolved in a world before Social, Mobile, Analytics and Cloud (SMAC). The focus therefore, has been on standardization of processes, tracking of end outcomes and enabling smooth flow of information across enterprises. In today's world of new sources and types of data, the very discipline of ERP solutions has become a weakness as they are seen to be inflexible and expensive to modify.

Numerous studies by independent analyst firms suggests that enterprise class systems such as ERP, CRM, SCM etc., have not quite been the panacea that the IT community intended (or expected) them to be. This is mainly due to:

- Multiple systems: Often, multiple ERP platforms exist within an enterprise; integrating them is not easy.
- Less than 100% coverage: No ERP comprehensively supports 100% or all of an enterprise's needs. There are several other systems that feed into or off the ERP platform. This results in limited visibility of the underlying processes, which makes it difficult to bring in improvements.
- Complex to change: Processes are embedded into ERP applications and modifying them is complicated, time-consuming and expensive. Businesses are forced to stick with inefficient processes and IT becomes a constraint rather than an enabler.
- Need for customization: Not all business functions can be standardized beyond a point, for example, customer service and collaborative R&D have distinct hues and nuances.
- Fragmented insights: Data and insights are becoming increasingly fragmented and reside in unstructured forms within and outside the enterprise. Conventional ERP systems are not equipped to efficiently integrate with analytics and social media, which are emerging as vital sources of insight-driven innovation within businesses.
- Third party integrations: Partner applications (bespoke or third party) need to be loosely coupled with enterprise applications for integration and maintenance to be easy and cost-effective.

The various growth strategies adopted by modern business enterprises have caused several operational challenges for business and IT leaders:

- Expansion across geographies spawn subsidiaries, often running independently with their own systems and processes.
- M&A programs virtually double the number of systems and integrating across them is quite challenging.
- Emergence of new business models require radically different processes, IT backbones and software systems.

BPM enables efficient design and management of processes

The last decade has seen the emergence and rise of Business Process Management (BPM). At its core, BPM is aimed at defining and modifying business processes with the deliberate objective of enhancing visibility and collaborative efficiency. Processes are optimized using appropriate levels of automation and controls. As BPM also focuses on process measurements, it enables

breaking-down of silos or sub-optimality caused by institutionalized workarounds, redundant steps etc.

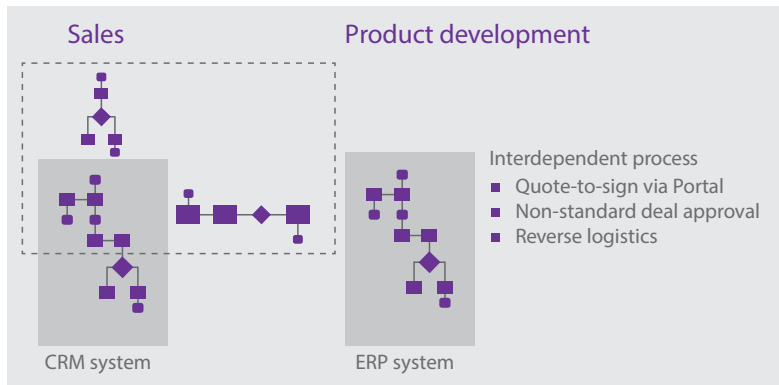
With the advent of SMAC, the type of information that businesses track and use is changing. While ERP is still vital to support core operations, the emerging collaborative and personalization paradigms require far more agility in terms of how quickly processes can be redesigned. And this is where BPM comes into the picture. BPM, per se, is not a software platform; it is a way of thinking. IT tools enable enterprises to put the discipline of BPM into action easily.

ERP+BPM = process efficiency and agility combined, supported by reliable information anytime, anywhere

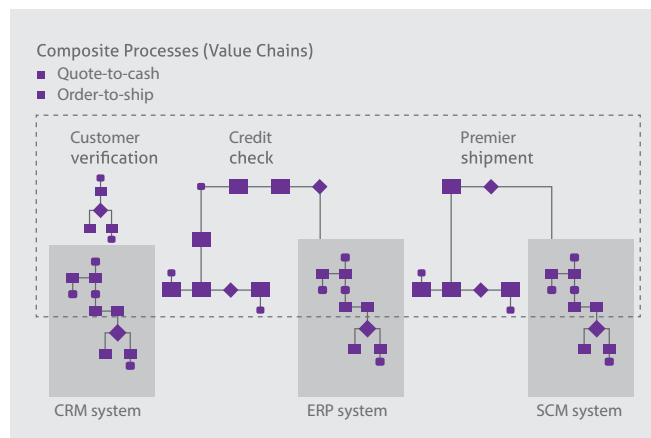
Mindtree believes that enterprises can benefit with a judicious combination of BPM and ERP as they offer unique complementarity.

Three ways in which ERP+BPM can be an advantageous combination to businesses:

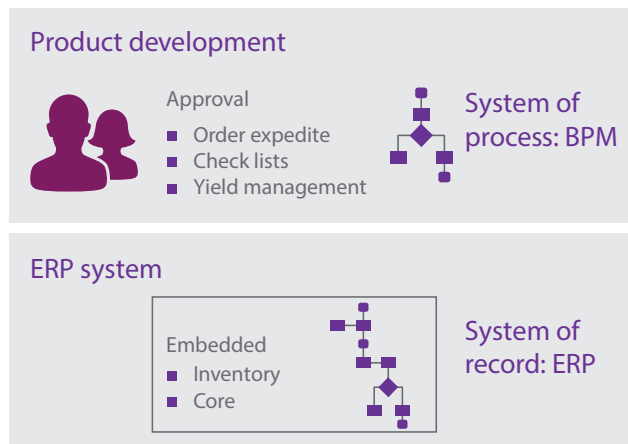
1. Filling gaps in information that are caused because of data spread across disparate systems, and thus enhancing process efficiency.



2. Innovating and enabling new processes to integrate ERP with systems designed to process newer types of information (e.g. unstructured data)



3. Extending functionality- adding functionality easily and cost-effectively to existing enterprise systems such as CRM, WMS etc.



Target untamed processes to integrate BPM With ERP

CARD

Transactional

- Financial reporting
- Invoice management
- Customer onboarding
- Order-to-cash

Corporate services

- HR onboarding
- Contract management

Customer service

- Account servicing
- Information requests
- Service provisioning
- Customer onboarding

Project and information worker support

- Projects
- Controls
- Collaboration (internal / partner)

BPM platforms, by integrating the core capabilities of ERP systems seamlessly, enable businesses to create full process support applications involving multiple users across functional areas. Enterprises can make use of information, activities and even screens to create new multi-user, easy-to-maintain process applications that can take advantage of BPM capabilities like built-in monitoring and links for mobile and social platforms. Business users will no longer be constrained by the capabilities of ERP platforms. Processes can be easily modified to enhance efficiency (e.g. eliminate or reduce redundancies and wasteful steps, speed up processes) or add capability

(e.g. create multi-user applications, replace form UI with collaborative social UI). These modifications will take lesser time than what is currently needed to modify an ERP.

With the BPM layer, it is much easier to integrate SMAC systems with the underlying ERP. It fosters discipline and standardization, which are casualties in the SMAC era where ERP platforms' limitations are driving the emergence and proliferation of new point solutions. In a much truer sense, enterprise systems will be able to adapt to users, and not vice versa, as has often been the case thus far.

Performing better with ERP and BPM

Performance	ERP and BPM	NO ERP and BPM
Complete and on-time delivery	89%	86%
Internal schedule compliance	90%	86%
Decrease in time to decision over the past year	12%	9%
Year over year change in the amount of time it takes to respond to customers	1% increase	7% decrease
Improvement in profit margins over the past two years	8%	7%

In addition to reducing development time needed to launch new or enhanced capabilities, the ERP+BPM approach enables implementation of certain solutions using custom approaches. For example, logistics companies may need to change shipping routes due to political unrest, natural disasters etc. This can have implications on the order management process for customers of these logistics companies. An ERP+BPM solution can make it considerably easier and quicker to detect trigger conditions and accordingly update the order management process.

Some of the challenges of integrating ERP and BPM systems are:

- Older ERP installations may not support service-based APIs and that would be a hurdle in combining ERP with BPM.
- Reorganization of operational processes, training and associated change management is often a challenge.
- Initial investment to acquire and integrate BMP platform with ERP is another inhibiting factor

Each of these challenges may be addressed through a robust discovery and definition process. Defining the key goals, assessing the current capabilities and defining options to meet the gaps is an effective way to bring about a best-of-breed solution.

LTIMindtree's ERPSurround - A robust framework to integrate ERP and BPM

ERPSurround is Mindtree's SOA and BPM framework that enables customers to seamlessly collaborate and exchange data with internal and external applications/ stakeholders using pre-built assets and patterns. The solution provides pre-built, out of the box, integrated services and process templates that are specific to the business problem, thereby facilitating quick implementation of business processes, with reduced risk.

The ERP+BPM approach resolves several challenges of:

- Integration of traditional applications that need ERP support (and vice versa)
- Supply-chain transformation by integrating suppliers with internal processes
- Improving timely dissemination of accurate information by overcoming issues related to fragmented data

In this digitally connected world, the ERP+BPM combination provides tremendous power, agility and flexibility. To gain organizational alignment and to ensure successful execution of omni-channel strategy, the first step is a robust discovery exercise to help identify possibilities, define goals and likely benefits.

About the author

Haleem Vaince is head of BPM Advisory Consulting CoE for EAI BPM service line at Mindtree. He has extensive experience of applying process optimization tools and techniques in supply chain and product design functions. Haleem has contributed to development of Agile BPM methodologies and has published papers on the same. He can be reached at haleem_vaince@ltimindtree.com

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