

EXPERT INSIGHT

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ERP vs. Best of Breed Solutions

A Response to SupplyChainDigest's Research Reports on Making the Right Decision Between ERP and Best of Breed Solutions for Supply Chain Planning & Execution

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The ongoing debate over ERP vs. best-of-breed solutions has received much publicity over the past few years, with each side stating its case for superiority in the marketplace. The most recent research conducted by SupplyChainDigest and published in their Research Reports on Making the Right Decisions Between ERP and Best of Breed Solutions for Supply Chain Planning & Execution earlier this year, addresses this subject through a real-world look into companies that have lived with both. While there are many items within the study that are open for debate, this response, provided by Oracle Corporation, addresses issues related to findings in two areas in the reports, gaps in functionality and integration costs for ERP solutions.

Gaps In Functionality

Regarding gaps in products, the reports document evidence that shows users rate best of breed solutions substantially superior to ERP applications in terms of functionality. Overall, respondents felt that ERP solutions generally have fewer capabilities than best-of-breed solutions. Specifically, in the area of Supply Chain Execution, 85% of the respondents felt that best-of-breed solutions were one to more than two years ahead of ERP. For Supply Chain Planning, 90% of the respondents felt that way. However, given these findings, SCDigest does go on to say that, "...the entire concept of 'best-of-breed' becomes dubious should this situation change." The fact is the situation is changing, and it's changing very quickly.

While the information gathered comes principally from operations personnel who are involved in the day-to-day business and understand the differences between the two types of solutions, roughly half of the respondents surveyed in both areas indicated that they had not evaluated ERP against best-of-breed solutions in the past two years. During this time, Oracle has invested billions of dollars in research and development each year to not only close the functionality gaps with best-of-breed applications, but to assure that the ERP applications represent best in class capabilities that are integrated to provide optimal performance across the enterprise. Witness the latest version of the Oracle E-Business suite released in November 2004, which includes over 2,100 new capabilities. Forty percent of these capabilities are designed specifically for supply chain applications

Integration Costs

The research reports show the majority of the respondents place the cost of integration between \$100,000 and \$500,000 to integrate best-of-breed applications to ERP software. SCDigest believes that the cost of integration is an important evaluation factor and needs to be accurately estimated as part of the ROI and total cost of ownership (TCO)—Oracle agrees. However the report goes on to conclude that those costs are coming down, "...and that in most (but not all) cases they are not especially relevant to the business decision." Oracle's findings are very different. In fact, in most (if not all) cases TCO is a critical component to the buying decision.

While the estimates for the costs of "bolt-on" integration such as those provided by the respondents within a given business area may be largely visible, controllable, and possibly even coming down. Oracle strongly disagrees with the SCDigest's conclusion regarding their irrelevancy to ROI. Consider comments from IMMI. IMMI manufactures high quality safety systems for the heavy truck, off-highway (construction and agriculture

vehicles), child seating, emergency vehicle, and outdoor industries. IMMI recently replaced best-of-breed SCM systems with the Oracle E-Business Suite

Mr. Randy Norman, Director of Information and Process Services with IMMI, had the following to say about the company's switch from a best of breed solution to Oracle's integrated E-Business suite of application software. "After 30 years in this business I've concluded that trying to interface or integrate independently designed modules is a serious waste of time and resources. Even after it is all done, there are always ongoing operational problems with interfaces. One system changes and the interface has to be reengineered. Even if this can be done to the satisfaction of the user in a strategic area, like receiving, others often are sub-optimized."

Key decision points that go beyond bolt-on integration, such as those shown below, address the hidden costs of integration, and must be considered in evaluating ROI so that TCO can be controlled throughout the life cycles of the systems.

- Can the applications be built on a common data model that embraces built-in integration as opposed to implementing bolt-ons that will require significant integration efforts to maintain their currency as systems upgrades continue over time?
- Can the number of physical databases supporting the applications functionality be limited to control IT costs over the system lifecycle?
- Is the platform technology upon which the applications are built open, yet protected to take advantage of evolving standards and advances in hardware, software and network security?
- Can the system provide adequate communications and support capabilities for real time decision-making?
- Do the applications support integrated business intelligence for daily business reporting?

Given the significant level of investment and the obvious benefits that accrue from pre-integrated applications, and the need to account for hidden integration costs as parts of business case analyses for return on investments, firms once committed to best-of-breed solutions are now switching to ERP solutions to lower risks related to implementing and sustaining systems. Consider Royal Appliance. Royal Appliance manufactures vacuum cleaners and other floor care appliances. Their signature product is the Dirt Devil Hand Vac.

Mr. Jim Mitchell, Distribution and Logistics Manager from Royal Appliance Mfg. Co., had this to say, "The difference for me between the Best of Breed and a ERP solution has changed dramatically. I was once of the "Best of Breed" mentality. Today we are running on Oracle's ERP, and I realize there is no longer a contest. We have one software provider. Our IT staff and our end-users are extremely knowledgeable about the entire system and how it interacts."

While the debate over ERP vs. best-of-breed solutions will continue for the near term, given the commitment and investment being made by ERP providers, Oracle is proving that ERP solutions can achieve the right functional fit for customer's business processes and render best-of-breed out of date much sooner than most people think.

Oracle wishes to thank SupplyChainDigest for the opportunity to provide this alternative viewpoint.

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