Capturing the Business Value of Extended Enterprise Management

By Eric Schlumpf, Principal, Archstone Consulting January, 2004

Summary

Having experienced the myriad frustrations caused by the implementation and use of enterprise applications to solve business automation challenges, executives are looking for lower cost, flexible IT solutions that can be leveraged enterprise-wide. Coupling this with the emerging challenges of coordinating multiple trading partners for key value chain roles, such as contract manufacturing or distribution makes the problem even more complex. By enabling disparate applications to work together in an unprecedented way, reducing implementation by 5 to 10 times, significantly decreasing costs, expanding the quality and use of data, and ultimately returning control of IT to the business itself, Extended Enterprise Management (EEM) can provide a way through the complex set of decisions that companies are facing. EEM may be described as a "Next Big Thing" that can deliver on its promises.

The Reality of "The Next Big Thing"

How much time and money has your organization spent planning and implementing a "Next Big Thing" (NBT) solution that promised significant value, only to find that once implementation was complete, the solution ended up costing much more than planned, and failed to meet expectations? Because NBTs have typically required millions of dollars in investment while yielding questionable results, savvy business executives have become suspicious of NBT cure-alls.

Businesses have encountered a series of NBT's over the past few years. Companies purchased enterprise software packages for which they were ill-prepared, and which often required extended implementations. The "B2B" craze hyped exchanges in "disintermediation" as a fundamental change to business economics and multi-company integration. While it is clear that efficient information processing and multi-company integration are powerful concepts, these categories of NBT have fallen far short of expectations. The failure of NBTs has not been caused by inadequate technology, but rather by an inadequate approach toward and structure for using technology to support business processes enterprise-wide.

Software Silo Thinking

Though most organizations are conditioned to think that IT can provide a software solution for any business problem that arises, the key to realizing maximum benefit from software derives primarily from extracting and transmitting information across organizational boundaries. Enabling this communication, however, involves process complexities that surpass the capabilities of virtually all enterprise software packages. While enterprise applications tout robust capabilities, businesses must pay for further customization and are then at the whim of a vendor's product release schedule. With primarily closed architectures, enterprise applications limit a company's ability to integrate processes and information within their organizations and with trading partners. Focusing on individual software tools or platforms inevitably leads to silo management. Applications either don't speak to each other, or are joined in a complex jumble of point-to-point connections that lack standard data models. Without a sound, structured approach to realize the NBT capabilities offered by IT solutions, businesses are preventing the true value of improved enterprise-wide data management to be realized across their organization and value chain. Fortunately, this problem has a solution-Extended Enterprise Management.

Extended Enterprise Management

Traditional enterprise applications limit the amount and quality of intercommunication that can take place between businesses, their trading partners and other third-parties. Also known as Collaborative Commerce, Extended Enterprise Management (EEM) combines enterprise computing and information management with value chain performance management. EEM drives business value by enabling complex interactions between extended enterprise processes, where cooperation is necessary to accomplish business objectives. EEM approaches the problem from a combined business process, information and decision-making perspective. Rather than looking at what software application is to be utilized to address complex processes, EEM considers the entire set of needs, including organization, trading partner, and business process. Applications are considered either sources or users of information, with all information working through a central "bus". Once EEM is in place, data can be taken from multiple applications and aggregated into an individual view for employees charged with supporting specific business processes.

One very effective way to drive EEM is for organizations to implement a Service Oriented Architecture (SOA). By focusing on the processes being supported, SOAs allow businesses to establish a common, integrated data model further enabling communication, decision making and information sharing between tools. Common standards driven by need and purpose rather than by single platform-based applications make it easier for companies to manage their own applications, and offers built-in flexibility for making system-wide changes.

Executives facing complexity in value chain issues and systems environments within their own organizations can leverage EEM to accomplish their business integration

objectives. Archstone Consulting advocates this approach over the enterprise software platform approach because of its superior performance in three areas:

- Functionality
- Speed and Flexibility
- Cost

Functionality

Essentially, EEM enables organizations to bridge internal organizations and business processes with external trading partners and third-parties, enabling businesses to better manage their complex value chain processes. Using connectivity tools (middleware, portals, workflow, integration, and others) to collect, manage and deliver information associated with specific processes, companies are no longer dependent on enterprise packages to deliver "vanilla" versions to match unique or company specific process needs. Instead, these connectivity tools can be used in conjunction with SOAs to deploy information specifically customized to an individual worker's needs. This opens the door to an entirely new way of delivering business capability supported by IT.

EEM requires organizations to shift their perspective from embracing software packages, to embracing the full capabilities of information technology. EEM allows businesses to shift from asking what is available in software packages, to what is the first best option for fulfilling their business needs.

Speed & Flexibility

In addition to enabling first-best options in support of business processes and strategic decision making, the speed and flexibility that EEM allows ensures quick adaptation to the changing business environment of tomorrow. New processes can be integrated and delivered very quickly, typically in 30-90 day deployment cycles. Leveraging a SOA, new functionality can be implemented enterprise-wide far faster than enterprise tools have previously allowed, while improving information flexibility.

By looking at IT from the perspective of EEM, an organization frees itself from being bound to major software package release schedules, or its own confounding legacy information infrastructure. *Once an organization embraces these IT principles for EEM, they find that the time necessary to deliver capabilities to the organization improves by a factor of 5 to 10.* A major aerospace and defense firm found it could deploy complex, multi-party processes in 60 day cycles, where previously capability was either unavailable or took 1 to 2 years.

This approach shifts IT emphasis from large, multi-year capital projects to a smaller, more nimble or "bite-sized" approach to capability deployment. Understandably, trying to combat the organizational inertia of large projects with a small project approach can present another set of problems. Small software projects are almost always slow to deliver because they cannot get adequate funding, support or resources. In large

organizations, they also frequently lead to a duplication of efforts. Where small projects should exhibit more agility, they often languish waiting for resources and a champion to push them to completion. For EEM to be successful, a periodic, top-down priority review is necessary to establish priorities and allocate resources. In this way, IT organizations are able to take a system-wide view of the business's resources, providing the funding, support and resources that allow changes to be made throughout the organization wherever they will provide value.

Cost

Having been burned by expensive NBTs which provided big headaches and little value, executives are understandably cautious about undertaking large, costly enterprise-wide IT projects– even when the solutions have demonstrated functionality and flexibility. The final benefit of EEM is that it drives IT costs down dramatically through the use of SOA by providing the organization with a basic information and connectivity bus that can be deployed and extended across many processes, business units, and trading partners. Investment in point to point connections between multiple applications both within businesses and with trading partners in various value chain activities is a significant source of IT spending and waste. SOA addresses the costly disconnects and inefficiencies that plague the handoff points between applications, within the organization and with trading partners.

The history of large ERP package cost overruns is well known. Costly failures in implementations have been the source of lawsuits against software providers and system implementers. Companies have blamed software providers for precipitous falls in stock price and publicly criticized them on quarterly analyst calls. In the emerging multi-company, fractured value chain world that manufacturing is moving to, the cost disadvantage of large packages is driven by the complexity of solving multi-enterprise value chain problems with a "one size fits all approach."

Similarly multiple, small software projects often force a large organization to overspend in order to get rudimentary capabilities. Taken in aggregate the cost of multiple small projects is often significant, especially when the limited value of the functionality is taken into consideration. By establishing a consistent EEM approach, and utilizing an SOA as a key supporting technology foundation, companies can gain the speed and flexibility to match their rapidly changing needs.

Getting From Here to There

The functionality, speed, flexibility, and cost saving advantages of EEM cannot be achieved without a significant change in how an organization thinks about and manages IT. Rethinking architecture, data management, security, and even project management are all necessary if a company wants to reap the proven value of EEM. The characteristics a company must be prepared to adopt for successfully leveraging EEM are flexibility, prioritization, a company-wide understanding of EEM processes, and a

strong commitment to success in a networked value chain. The results of EEM will far surpass the outcome of software silo thinking.

Conclusion

Having experienced the myriad frustrations caused by the implementation and use of enterprise applications, executives are looking for lower cost, flexible IT solutions that can be leveraged enterprise-wide. By enabling disparate applications to work together in an unprecedented way, reducing implementation by 5 to 10 times, significantly decreasing costs, expanding the quality and use of data, and ultimately returning control of IT to the business itself, Extended Enterprise Management is truly the Next Big thing.