



The Elephant in the Room

How Order Management Shortfalls Undermine IT Success –
and How CIOs Can Beat the Problem Once and for All



You are the CIO and you're working hard to get your IT strategy in place. It has taken years and much more money than you predicted, but you're well on your way to a standardized ERP system. But still there is a nagging issue: the ERP system has a black eye when it comes to order management and distribution functions. The bottom line problems are very real and very visible to the CEO and the board: The business issues caused by poor order management systems are stunting revenue growth and hurting customer satisfaction.

The Sales & Marketing organization, a very visible and vocal group, complain the system is so rigid they can't implement the innovative go-to-market campaigns they want to.

Among their issues:

- Accommodating the ERP system extends new product time-to-market, crippling competitiveness.
- Orchestrating complex orders across a global supply network requires far too much human intervention, steering users away from the company's information backbone. Moreover it isn't doing the job: Limited visibility into supply causes false promises and unhappy customers.
- Integrating new e-commerce sites – a necessity for targeted demographic selling – is an expensive and time wasting exercise that is causing sales and marketing execs to look outside the company for services.

Likewise, delivering on strategic initiatives, such as integrating acquisitions or new product lines, is a killer. From an IT standpoint, integration to additional ERP systems is expensive, makes the order management puzzle even more complicated, and further undermines the justification of your ERP investment.

ERP's Order Management Problems are Architectural

As a CIO, you know from talking with your peers and the industry analysts that ERP applications have not been successful at managing a distributed fulfillment network – much less a global supply chain with its complex sourcing needs. Why? Because ERP systems were never designed to coordinate business processes and workflow in an external environment. ERP systems are enterprise-centric applications that tie order management closely with financial accounting and billing systems and enforce a rigid, single lifecycle for all orders. These systems lack the application functionality and technical architecture to allow them to coordinate activities across a distributed fulfillment network.

Other limitations of ERP include:

- An inflexible data model requiring corporate divisions, inventory locations, sales



channel, and purchasing channels to be defined

- Inflexible, sequential transaction processing and workflow that cannot handle simultaneous or interactive processing
- Requirement of a parts master file to process an order, limiting the ability to handle supplier inventory
- Weak sourcing algorithms that lack hierarchical search rules
- Limited dynamic interoperability with other systems because most systems are Web-enabled rather than Web-based

IT's track record when it comes to Order Management is not good: According to AMR Research, 90% of companies still have not achieved the ultimate goal of unifying the Customer Fulfillment process (1). And the problem is insidious: Research has shown that the average company has a fragmented order capture and fulfillment strategy at best, with an average of 5.2 order capture systems already, and an average of 4.3 fulfillment systems (1).

Users, however, are held accountable for delivering results and often take matters into their own hands. Unfortunately, the manual systems and processes they create to address ERP shortfalls are not scalable and are expensive to maintain. And, in an effort to beat order management frustrations, many sales and marketing execs turn to the creation of new web sites for ordering, making the system complexity and integration problems even worse.

It's Time to Fix the Problem – and Protect the IT Strategy You've Sold to the Board

You know you need to take action: the organization is hitting the frustration of information limits and their ability to manage business processes – especially those that are customer facing - is restricted.

As a CIO, you know common sense and cost mathematics still suggest that ERP is the primary answer to your overall enterprise computing architecture. Yet you've got to deliver the competitive edge that will make the Sales & Marketing guys happy and reduce overall IT cost exposure at the same time. So, no matter what, any changes or improvements you make must protect your IT strategy and budget and retain the benefits that ERP brings to the rest of the organization.

Done right, the payoffs of resolving the order management issues are significant: one company has sustained a 50% slash in order rework rates, and another high-tech manufacturer using this approach was able to cut custom rework more than 60% on customized product orders. Altogether, aggressive rethinking of order management processes in high-tech manufacturing has diminished Day Sales Outstanding (DSOs) 40% and achieved higher customer satisfaction. (1)



IT Issues and what's required to solve them

IT ISSUE	RISK / ROADBLOCK	WHAT'S REQUIRED
Usable Functionality	In-house modification could cripple your ERP system and cost a fortune	The right feature function for the right job. E-commerce site integration, supply chain visibility, and global scale
Integrating Systems	Diverse systems, diverse standards, risk of creating rigidity, costly maintenance	Graceful integration: Uses industry standards, APIs
Deploy Simply and Fast	Global roll-outs that take forever and never finish acceptance, time to value	Internet based, minimal user training required. Proven start up measured in weeks not months. Multiple options including physical fulfillment support.
Cost	Already have a costly investment, budgets tightening, rip and replace is an unacceptable option	New topology options: appliance delivery; SaaS

A New OM and Fulfillment System that Co-exists with ERP is the Answer

The systems you've been using – workhorses like SAP and Oracle - served you well in many internal operations and in IT, but now they can't keep pace with revenue oriented business demands. And that's where it hurts the most.

So if your ERP system isn't up to the task, it makes sense to look for order management capabilities from an order management and fulfillment specialist. Assuming that the OM system has the user capabilities your organization needs, as the CIO you are faced with three critical considerations – technical architecture, easy integration, fast deployment, and budget impact. Let's look at the details that you as CIO need to ensure will take you to the promised land without giving up your strategy:

1. Technology foundations that propel success

At the end of the day good IT operations are based on some very key principals: Solid technology that is standards based, cost effective, and future –proof. Any new OMS system a CIO considers must have the following technical attributes:

- The systems must be built on an IT platform that has built in scalability and security and industry-wide adoption- J2EE or .Net framework
- All user interfaces and the business layer stack are web compliant
- An open access database that is non-propriety, widely deployed, and supports very high transaction volumes
- The OMS framework supports the EAI layer natively and is adoptable to security and robust interaction with other systems
- SOA and web services are supported natively



- The OMS system must be interactive with external customer systems and enables deep visibility to the supply chain and transaction flow in real time.

2. Graceful integration– the right technology makes a difference

While some of today's integration technologies ease and speed the integration process, it is imperative in today's volatile business environment that you unify heterogeneous systems by using common information and process elements. You cannot address integration solely with workflow, nor with only data mapping and transformation. State-of-the-art integration requires

- Declared standards for integration methodologies and practices – look for a, b and c
- A flexible EAI layer that supports simple file import to export capabilities for very intense real-time transaction communications.
- An EAI layer that is stable, tolerant, and self healing.
- Message translation with other systems that is performed externally, before consuming inbound messages or after generating the outbound messages.

3. Cost - a tight budget prevails

You've already invested heavily in ERP and now budgets are so tight they squeak. Rip and replace is unthinkable, but you can't be the one to keep the company from grasping market opportunity. It's up to you to find the solution, one that gives the functionality users need, maintains the integrity of your IT governance policies, and is friendly to today's stingy IT budget. New opportunities to bring powerful systems exist in today's market:

- Appliance delivery – Completely pre-packaged, configured and sized for your needs systems delivered as appliances require no set up or installation at your site – freeing your staff to focus on your users, functional implementation and the value realization the organization will respond to.
- Software-as a-Service – As an alternative, enabling system access via the emerging SaaS model has numerous advantages among them:
 - The SaaS option avoids upfront capital expenditures and lets you pay for services as you consume them
 - SaaS reduces the need to own and manage the staff to operate the complex systems.

You can concentrate on the imperatives of your business, leaving the system provider's experts to manage bug fixes and software upgrades, and maintain infrastructure and version control at the server and the desktop – reducing your own in-house costs

Today's Bottom-Line Necessity: Bringing Systems Online - Fast

Users adopt a new system quickly when it is seen as a tool that makes work easier. A CIO who can leapfrog the workaround systems users hold together manually or with spreadsheets – quickly - earns their respect.



As a result, you need an order management solution that is ready for rapid, affordable deployment, wholly or in subsets. It must contain the advanced technologies people expect from popular e-commerce websites and support call center and other order capture operations. It must contain the business process logic that executes order management, inventory management, and related back-office fulfillment processes efficiently.

When you are in front of the executive staff talking about systems deployment you know that for LOB execs a year is far too long. CIO's should bring order management functionality on line in less than six months. The executives that raised the issue need systems that flexibly manage the intricacies of customer demand, e-commerce, new products, and global fulfillment - right now. And they want these systems because they are starved without the robust analytics that help them pinpoint opportunities and where corrective action is required.

EDGE – Making Quick Work of Your Biggest Headache

The EDGE Order Management environment

The solution is EDGE. EDGE is not a traditional Order Management system. It is an application environment focused solely on enabling companies to go-to-market and fulfill orders in the manner that best satisfies their customers' expectations – and not have that process dictated by the constraints of existing information systems. EDGE delivers the competitive advantage C-level executives are looking for. It is based on ITR industry standards, fits neatly into IT governance strategies, and is highly cost efficient.

The EDGE Order Management Environment



Using EDGE, Jagged Peak's customers have overcome the troublesome order management issues their ERP systems can't handle, in remarkably short time, and at far less cost than they first imagined. EDGE customer, WA Wilde integrated an EDGE Order Management system into their existing IT environment in just four months. Renowned watch maker, TAG Heuer set up new e-commerce selling channels for its luxury goods in four months and the global food giant Nestle Glowelle deployed B2B and B2C E-commerce channels in 5 months.

Jagged Peak deploys EDGE via several cost efficient models. Some clients use EDGE in SaaS/ASP model clients and pay as they go, avoiding upfront capital expenditures. Others use the managed services model, licensing EDGE software and deploying it on hardware they own, but is located in Jagged Peak facilities. Other clients mitigate licensing costs by using non-traditional licensing agreements such as transaction based pricing.

EDGE was designed from the ground up as a web centric application. It incorporates design elements that have been recently defined using J2EE and WEB 2.0 standards. The underlying



database and IT infrastructure are designed to scale up in fully distributed environments while maintaining full security and access control.

Among EDGE's key advantages are:

- Web based—EDGE is web based, not web enabled, and accessible through a web browser, making it usable to anyone with proper authorization any time, from any place with proper security.
- Enterprise standards—EDGE is built on J2EE standards, which are globally recognized for large enterprise solution deployment.
- XML-based interfaces—Transactional data import and export is supported through XML-based interfaces. Compatibility is not an issue - Our EDGE system is already integrated to the industry's top ERP systems – SAP and Oracle.
- Database structure—EDGE uses open, non-proprietary, industry-standard relational databases, so users are not locked out of their own data.
- Modular construction—Highly configurable, flexible modules shorten time to value and make deploying additional applications simple.

Among the applications available:

1. E-Commerce
2. Multi-Channel Order Management
3. E-Catalog and Product Information Management
4. Digital Assets Management
5. Marketing Execution Management
6. Member Registration and Return and Repair Logistics
7. Sales Incentives
8. Product and Warranty Registration
9. Marketing Materials Management
10. Analytics

In addition, EDGE is unlike other systems in that it has selling rules engine to handle unique demand scenarios, user definable attributes and additional user definable tables which enable users to make changes without IT intervention in critical go-to-market areas such as catalog creation, pricing changes. This enables users to dynamically manage their own functional extensions – without IT intervention.

- Scalable--EDGE is built with a distributed architecture: just deploy more hardware processing power to absorb growth in demand and traffic.
- Multi-layer security—EDGE executes firewall best practices of establishing isolated security zones, creates a secure network operating environment that requires network and user authentication, and can deploy complex, multi-tiered security control at the application level for user read-write access.



Delivering a Competitive EDGE

Serving new opportunities, delivering to customers, and servicing your users sometimes can feel like an unwieldy and often impossible chore. Nevertheless, you're at risk of losing customers if you can't service them in a timely and effective manner and that can equate to survival in many of today's competitive markets.

As CIO you know that you can't replace your OMS problems with another transaction processing system. Any new successful extension to your ERP environment must provide new levels of application flexibility and speed— and provides a long term solution that enables sales & marketing services to constantly morph to fit changing market dynamics, new product launches, pricing models, and sourcing requirements.

Just as importantly a new environment must protect your IT strategy and live within the budget constraints that define IT today. The good news is that all of these requirements can be met by EDGE – and they can be achieved quickly and in a variety of budget friendly ways. Isn't it time you took addressed the sales/marketing/OMS issue once and for all?

1 - Order Management Resolutions Worth Considering
Wednesday, January 07, 2004
Louis Columbus, Laura Preslan

2 - Distributed Order Management Market Shows Signs of Hope
Friday, March 21, 2003
Rod Johnson

3 - Industrial Manufacturers—How To Improve Supply Chain Agility
Tuesday, October 09, 2007
Jane Barrett, Stephen Hochman



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