Enterprise Case Study: Using ERP to Streamline Business Processes

How Lexatys used NetSuite to take control of its back-office operations

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Summary

Catalyst

When a company experiences rapid growth, it needs to keep track of its business processes. In manufacturing engineering, where cutting-edge, highly technical solutions are being developed, back- office systems are not necessarily the top priority. This is where enterprise resource planning (ERP) software can manage all these business processes from a single place.

Delaware-based Lexatys, a specialist engineering firm that manufactures microwave components, grew quickly and soon found that its business processes needed to be managed in a more coordinated way. The company chose Oracle NetSuite to do this, opting for the SuiteSuccess rapid deployment model. By selecting SuiteSuccess, with implementation times typically less than 100 days, Lexatys could leverage a multitude of leading practices immediately. Thanks to lessons learned from thousands of prior implementations, companies such as Lexatys can take advantage of these leading practices straight out of the box. NetSuite has since become an integral part of Lexatys' business operations, streamlining and automating many processes and allowing the enterprise to expand and plan for the future.

Ovum View

Any enterprise, regardless of size, can benefit from implementing an ERP system to manage its business processes. An ERP system can automate many processes and streamline back-office operations. ERP

systems also build up historical data over time for planning purposes. Deployments can involve a lot of work, but doing the groundwork upfront ensures the software is properly configured and customized for the business's processes, providing long-term benefits.

Key Messages

- Lexatys' rapid growth between 2016 and 2018 meant that its business processes needed to be managed in a more coherent way
- Lexatys chose NetSuite's SuiteSuccess methodology, which targets implementation completion within 100 days
- NetSuite can be extensively configured for individual enterprises
- The software is now a vital part of Lexatys' operations, allowing business process to keep up with the company's groth and plans for further expansion

Recommendations

Recommendations for enterprises

ERP software is worth looking at, even from the start-up stage. SMEs looking to deploy enterprise applications should not feel daunted by the implementation process, because cloud-based ERP is a long way away from traditional, on-premises deployments, which can be time consuming and expensive.

Implementing a cloud-based ERP may mean gathering requirements from around the business and preparing, cleansing, and migrating data, but companies quickly save time and money through automation and tightly coordinated business processes. It can also help support the rapid growth that successful SMEs experience. Selecting the right ERP system (one that offers a rapid deployment model) can make the process a lot easier and quicker than using a traditional deployment.
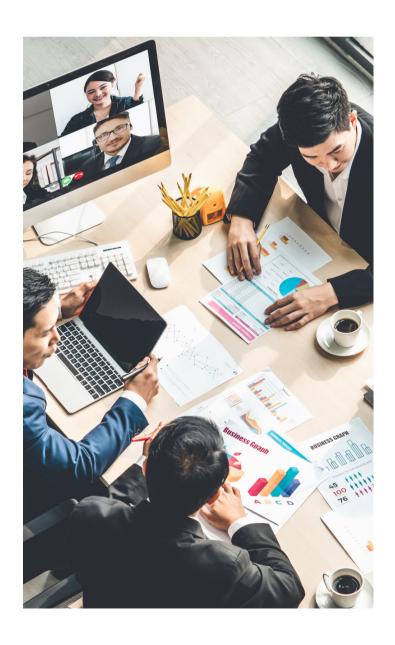
Recommendations for vendors

Enterprise application vendors can win new business by ensuring they meet the needs of SMEs. Traditionally, ERP software may be thought of as something that only larger businesses need to consider, but cloud-based systems are changing that. Vendors can meet the needs of SMEs and startups by offering rapid deployments, products that are easy to configure to specific business needs, and post-deployment customer support.

Using an ERP system to streamline business processes in manufacturing engineering

Setting the business context

Enterprises that focus on complex engineering need scalable, unified solutions

The primary focus of engineering startups, entrepreneurs, and SMEs is on developing and manufacturing complex technical solutions. They can find themselves growing rapidly, and business processes need to be efficient to support that growth. An ERP system, especially if implemented early, can take care of this. By combining back-office operations such as finance, inventory and order management, shipping, and revenue into a single system rather than piecing together multiple systems, businesses can save more time and money in the long run.

Mr. Gordon had been through a number of ERP deployments, both at Lexatys and at previous companies. These had been expensive, lengthy projects (one took over a year). The technology for one particular deployment felt like a step backward in many ways, with dot matrix printers being brought in to replace laser printers for compatibility. When the time came for Lexatys to look for a new ERP system, Mr. Gordon therefore wanted to make sure it got it right.

Lexatys' rapid growth meant that looking for a new ERP became a priority. Because it was using outside contract manufacturing services for some of the assemblies that went into its components, it did not have good visibility into its vendors' processes or stock levels. Purchasing was done in a very manual way and the inventory was "out of control." It needed to bring its back-office processes and systems together in a coordinated way.

The role of ICT/services in solving the problem

Lexatys chose NetSuite to regain control of business processes

Until 2018, Lexatys had been using QuickBooks Online, spreadsheets, and a product lifecycle management (PLM) system, Aras Innovator (hosted on a local server), which it still uses. But the company's rapid growth outstripped the ability to manage the business with QuickBooks, Excel spreadsheets, and Aras. It was becoming difficult to control the inventory, and Lexatys was overbuying stock in order to have a margin for error.

Holding high stock levels in this way was expensive. The company seemed to be in reaction mode all the time and could not effectively plan its inventory. This was causing disruption in manufacturing cycles, so Lexatys needed to look for a new system.

The company looked at Made2Manage and Manman but kept coming back to NetSuite, especially attracted by the SuiteSuccess rapid deployment model.

At the same time, Lexatys was working toward its Aerospace AS9100 certification for quality, which the company has since earned. It spent six years and just over $0.5m setting up this quality system and recognized that having the right ERP was crucial – it needed a quick deployment, with no downtime. Lexatys wanted a world-class ERP to go alongside its world-class quality system. This was why NetSuite and SuiteSuccess proved attractive – previous difficult experiences with ERP implementations also influenced this choice.

Using SuiteSuccess to deploy the right ERP quickly

Lexatys opted for NetSuite's SuiteSuccess methodology – which offers a customized deployment – using the NetSuite for Emerging Manufacturers package. SuiteSuccess helps reduce the risk inherent in technology projects by using prebuilt, industry-leading practices and an implementation "stairway" (specific to each industry) to create a system that can fit companies of all sizes. There are twelve editions for eight industries, each addressing specific market needs. The product is flexible and scalable and can

grow according to business needs. The methodology is based on four "key pillars:"

- **Build.** A suite of technologies support the modern business via the NetSuite platform.
- **Engage.** Leading practices for each industry and role are provided, including KPI reports, workflows, dashboards, and metrics, with the flexibility to personalize.
- **Consume.** An intelligent staged approach via industry-specific "stairways" allows businesses to use NetSuite capabilities based on their needs.
- **Optimize.** NetSuite customers are always on the latest release and enjoy continuous engagement, support, and updated leading practices.

NetSuite Professional Services implemented the new solution. Although this was roughly 15% more expensive than using a local provider to deploy the software, Lexatys saw it as a "low-cost insurance policy," because it would guarantee the company would have access to NetSuite's own experts for the best service possible.

To begin the process, the dedicated NetSuite consulting team sent Lexatys a survey to find out about current business processes, including finance and inventory management. This enabled the consultants to understand the scope of the project and paint a scenario of what deployment would look like. After interviewing key personnel within Lexatys, NetSuite wrote a scoping document explaining exactly how implementation would work; this included a roadmap and milestones. Expectations were clear on both sides so that Lexatys

staff knew what was expected of them and what NetSuite Professional Services would – and would not – do during the project.

Five people from the NetSuite Professional Services team worked on the implementation, and six were involved from the Lexatys side. Of the Lexatys staff, one person was dedicated to the deployment full time, and two others spent more than 25% of their time on it. Lexatys also had weekly status calls with the project leader.

To get the implementation right and tailor it effectively, the NetSuite consulting team spent the necessary time looking at Lexatys' business and how it was run on a day-to-day basis. This included examining existing data and sample POs before configuring NetSuite for Lexatys and explaining what the ERP could achieve after it had been deployed. The consulting team also ran through demos for the Lexatys staff to ensure they knew how to use the solution and provided online training to foster user enablement and adoption.

Outcome Assessment

After having used NetSuite for six months, Walter Gordon says Lexatys "can't live without it" now. It has become a vital part of the company's operations.

It is easily customized based on who is using it – people only see the information they need to when they log in (for example, a purchasing manager does not need to access all of the financial information, just the figures relevant to them). This makes people's jobs easier.

The company initially ran QuickBooks in parallel with NetSuite, but stopped doing this after a month as it was no longer needed – everything was working well. Within a month of the go-live date, the benefits were apparent.

NetSuite has helped Lexatys improve its supplier and inventory management
Lexatys has three locations and can use NetSuite to track stock levels across them all. There are currently six users accessing the system as well as customers and suppliers using the respective portals.

Supplier management has become easier. Previously, nothing in QuickBooks allowed Lexatys to record that a PO had been acknowledged by a vendor, but NetSuite was easily customized to add a radio button for order acknowledgment that can be reported out of the system. Each of Lexatys' vendors also has a qualification based on past performance, which is stored in the PLM system. In QuickBooks, for each order, text from the PLM had to be copied and pasted manually. With NetSuite, any change is automatically integrated between the systems, and performance qualification information flows through automatically to each generated PO.

Lexatys now has better control of its financial processes
NetSuite has also made the spend approvals process more efficient. With QuickBooks, Lexatys used a paper-based system for spend of any size. With NetSuite, the company has set automatic approval levels based on total PO value.

Accounting has become more rigorous as well. With QuickBooks, bills would come in and get paid when due, with no checks being performed to verify count and acceptable quality level. With NetSuite, there is a three-way match on accounts payable – the quantity must be right, it must be approved, and there must be a matching bill.

NetSuite offers effective post-deployment support
NetSuite continued to support Lexatys after the deployment. Mr. Gordon was impressed with NetSuite's communication and response time: one Saturday evening, he wanted to make sure he could print out shipping labels but had some issues getting the software to coordinate with UPS. He put in a support ticket and received a call two hours later that explained how to solve the problem.

Lexatys is using NetSuite to support plans to expand in the future
NetSuite is opening up new possibilities for Lexatys, which is looking at expanding its business with the power of NetSuite behind it now that inventory management and other business processes are under control.

Currently, Lexatys is looking at using the online sales portal, which has been made possible by the fact that NetSuite allows full visibility of an up-to-date inventory, including that held by third-party suppliers (Lexatys is using the vendor-managed inventory feature in NetSuite, which allows relevant supplier stock to be tracked). The company aims to implement web store-style sales in the first quarter of 2019.

In time, Lexatys also intends to make full use of NetSuite's planning resources. These give inventory projections based on history, and the company is still building up the data within the system to allow this to be turned on and used effectively.

Lessons learned

Start at an earlier stage of business growth

Mr. Gordon says that if Lexatys were to implement NetSuite again, he would like to start six months to a year earlier. Although the SuiteSuccess implementation ran smoothly, Lexatys would have enjoyed all the benefits of using NetSuite sooner if it had been deployed at an earlier stage of growth. This would also have lessened the pain of the inventory getting out of control under the old system and would have made the implementation even easier.

Even if you do not deploy fully, you can still get started with the basics

The sooner NetSuite is adopted, the quicker historical data builds up to enable it to be used to its full potential. The system is customizable, and enterprises can still use it even if they do not initially enable all the features. It is possible to customize as the business develops, learning how the ERP works and how to tailor it to your requirements as you understand more about it.

Modern ERP deployment can be achieved in well under six months

Modern, cloud-based ERP deployment can be much quicker than traditional, on-premises ERP with heavy customization and long implementation periods. There's no hardware to buy, maintain, or upgrade, Instead, cloud-based deployment eliminates on-premises IT costs, with no on-site data centers or hardware, replacing these with software that is updated with new functionality on a quarterly cycle. Within as little as 100 days, enterprises can implement a core cloud-based ERP system that can be configured and adapted to changing business needs.

Appendix

Methodology

Ovum Enterprise Case Studies leverage in-depth interviews with key enterprise stakeholders as well as a review of any available documentation such as strategic planning, RFP, implementation, and program evaluation documents.

Further reading

SWOT Assessment: NetSuite Release 2018.1, INT001-000083 (July 2018)

Author

Tim Jennings, Chief Research Officer, Enterprise Technology

Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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