



Industry Reports

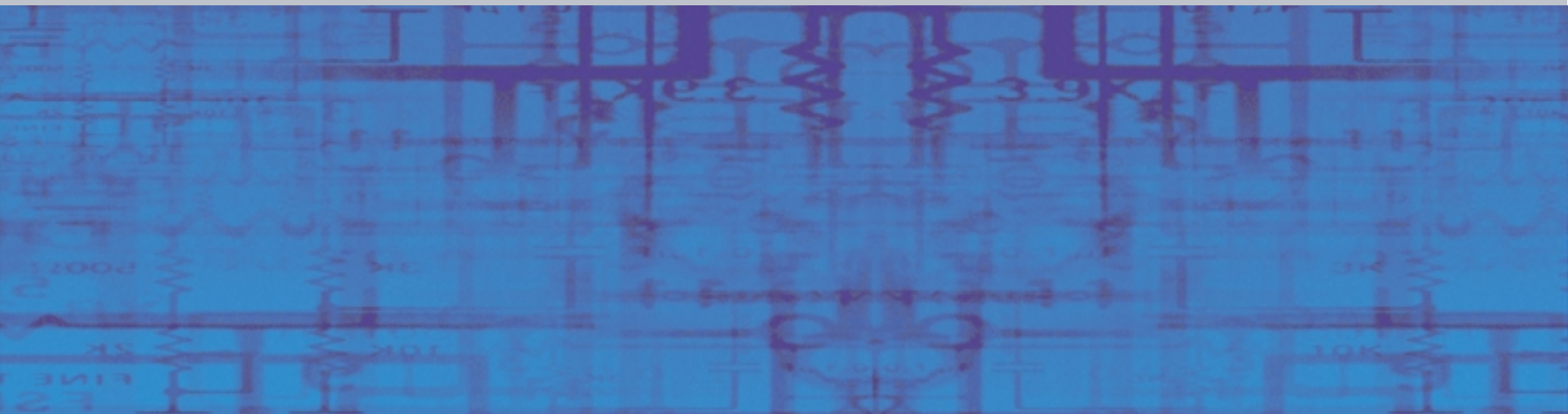
Enterprise Applications

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Market Research 4

How do companies view their enterprise software systems? How easy are they to integrate and change? A new PMP survey finds out, reports Cliff Mills.

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Philip Carnelley of The Hackett Group outlines what benchmark studies reveal about what the best-run companies do with their IT, compared to the also-rans.

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UK newspaper group Trinity Mirror – publisher of the *Daily Mirror* and over 250 other titles – has taken on new ERP software to streamline its procurement and financial systems.

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Comment

Enterprise systems – both ERP and ‘best of breed’ solutions – are heavily entrenched within organisations. But what do companies actually think of the software? It’s there, but is it any good?

A recent PMP research survey found out, as reported on page 4. But of all the findings, one stands out in particular: ERP and other enterprise systems are imperative, but to make them work a company has to drive business improvement through the adoption of best practices. IT just isn’t enough on its own.

Expert commentator Philip Carnelley takes up this theme in his article on page 8 with evidence of what ‘world-class’ companies do differently with their IT that makes them world-class.

What this means in practice is highlighted in the Trinity Mirror case study on page 14.

Better business performance

Effective enterprise applications are a must for companies seeking standardised business processes. Cliff Mills reports on the latest PMP research.

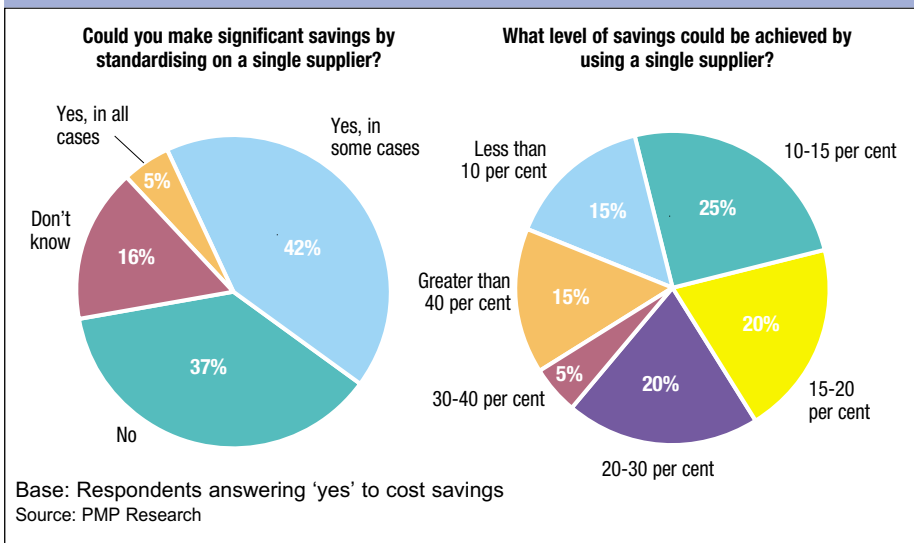
Enterprise software solutions have been adopted by organisations to maintain their competitive position in an increasingly challenging business climate. But how do companies perceive their enterprise solutions? To find out, PMP interviewed 100 senior IT and management staff for their views on their deployment.

The top three enterprise applications areas are considered to be finance (88%), human resources (72%) and procurement (70%). These are followed by business intelligence and customer relationship management – both with 58%. However, when asked whether they have standardised across the organisation on a single supplier for each of these functions, while the uptake is high for finance (79%) and HR (72%), among the other areas only procurement (54%) makes it above the 50% mark.

Yet where multiple suppliers are used, 42% of the organisations feel that significant cost savings could be made in some cases by standardising on a single supplier (see Figure 1). The majority, 65%, anticipate that costs savings between 10% and 30% are achievable.

Above all else, companies want to streamline their business processes so they offer a seamless interaction between users, customers and partners and the organisation's core applications. However, there is still some way to go to achieve this objective, with 51% of the respondents having only partially integrated their enterprise systems at best. Only 7% of companies feel they have fully integrated all their applications while 40% claim a significant level of integration.

Figure 1: Using a single enterprise software supplier



Few organisations are able to install enterprise or ERP packages straight out-of-the-box, with the majority customising the software either very significantly (9%), significantly (28%) or moderately (21%). Just 5% install any enterprise solution as it comes.

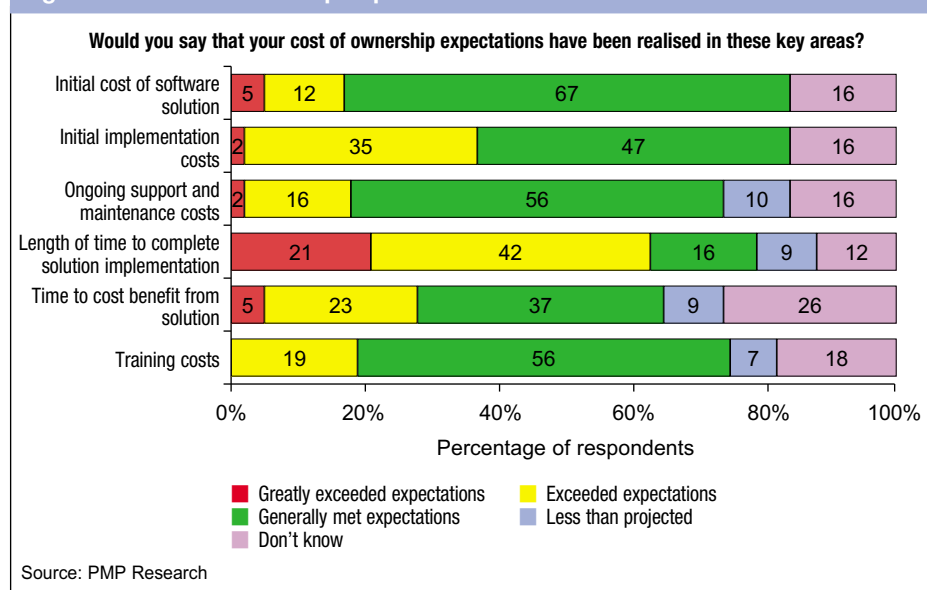
When implementing enterprise applications, 55% of companies will adapt the software to match their core business processes as against 40% who will adapt the process to match the software functionality. For non-core business processes, only 22% of organisations modify the software to match the process against 67% who will alter the process.

Moreover, once installed, well over half the sample find it either difficult (21%), very difficult (9%) or moderately difficult (41%) to make alterations to enterprise or ERP software in order to meet any changes in business processes or requirements. Against this, only 12% feel that making changes is easy and a fortunate 5% describe it as very easy.

The cost of enterprise solutions can be high, both in terms of the initial software purchase, implementation and ongoing support costs. In the

Market Research

Figure 2: Cost of ownership expectations



majority (67%) of cases, respondents say the initial purchase cost generally met their expectations, with only 12% exceeding them and 5% greatly exceeding expectations (see Figure 2). The implementation costs were more problematic and exceeded expectations in 37% of cases.

The real problem area lies in the length of time needed to complete the solution implementation – with 42% of companies stating this exceeded expectations and 21% saying it greatly exceeded the anticipated timescales. Only 16% of respondents report that their implementation was on time, with 9% stating that it was shorter than expected.

The implementation time has a knock-on effect on the time to cost benefit of the solution, with 23% saying this exceeded expectations and 5% that it greatly exceeded the timescales. In contrast, 37% met cost benefit timescales and 9% said they were shorter than expected. In the other areas of ongoing support and maintenance and training, in both cases 56% of companies met cost targets whereas 16% exceeded

support costs and 19% training costs.

Surprisingly, given the difficulty many face in prising money out of corporate coffers without a convincing business case, organisations are evenly split over the question of formally measuring the ROI from enterprise applications. While 42% do so, the larger proportion (49%) do not, with the remaining 9% unsure of their position. For 72% of companies, a combination of financial metrics and qualitative objectives are used, compared to 22% who only use financial metrics.

In addition, only 16% of companies always put in place a range of metrics to measure the ongoing business performance of their enterprise solutions. A further 45% sometimes do, while 30% do not bother with any performance measurement at all. The key performance measurements used are customer service (85%), financial metrics (81%), and internal productivity improvements (77%).

Future purchase plans

The survey shows companies will continue to invest in enterprise solutions, with nearly half (49%) enhancing or upgrading existing enterprise or standalone packages, and 12% are looking to buy third-party add-ons for their current systems. A significant number of companies are looking at new enterprise initiatives, with 21% undertaking bespoke development, 19% planning new ERP solutions and 12% looking at new standalone packages.

Companies see it as imperative to have effective enterprise IT solutions so that their business processes and systems can be standardised and rationalised across multiple business areas. This enables the business to more effectively manage its operations and make more informed decisions. However, in order to achieve this, organisations have to drive process improvement through the adoption of best practices that can demonstrate a proven ROI and continuous performance improvement.

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Improving enterprise performance



Philip Carnelley of The Hackett Group shows how organisations can develop 'world-class' enterprise applications.

Enterprise resource planning (ERP) applications have been around for well over a decade, but companies still struggle to realise the anticipated business benefits from their implementation. While new incremental features appear with each major upgrade from package vendors, they are quickly replicated by the more capable of their competitors. As a result, functionality in areas such as finance is very mature in virtually all of the top vendors' offerings.

Today, all of the top ERP vendors enable best practices in their software. 'Enable' is the key word in this case – enabling is not the same as implementing. If underlying processes and organisational structures are not properly (re-)designed to support the best practices, the anticipated benefits will not be realised. So, while it is obviously important that companies choose an ERP platform that meets their requirements on considerations like cost, on architecture compatibility, on vendor support and maintainability, it is also crucial that they consider the rest of the journey – how well can they utilise the best practices within the ERP solution? How well will it support the processes deployed within the organisation going forward? And, most crucially, what best practices does the company most need to adopt to improve its overall performance?

The Hackett Group has been conducting benchmark studies of organisations for over 13 years, in which time it has conducted over 3,300 benchmarks on almost 2,000 companies. The Hackett Group's

research into world-class performance is compiled in its Book of Numbers series, which provides senior executives with fact-based performance metrics and insights based on Hackett's extensive database of best practices and process metrics in IT, finance, HR, procurement and other areas.

From its benchmark data, Hackett is able to correlate 'world-class' business performance with the use of certain best practices. Hackett defines world-class companies to be those which achieve first-quartile performance in both effectiveness and efficiency metrics in its benchmark database.

What Hackett's empirical, fact-based data reveals is that the use of an ERP solution, in and of itself, does not guarantee world-class performance. Which ERP is chosen is also not a predictor of world-class. Hackett statistics show that for any given ERP solution, the total cost of finance (ie, the total cost of running the finance function as a percentage of overall company revenues) can vary from under 0.8% to well over 2%. Hackett data shows that this is equally true for any ERP solution.

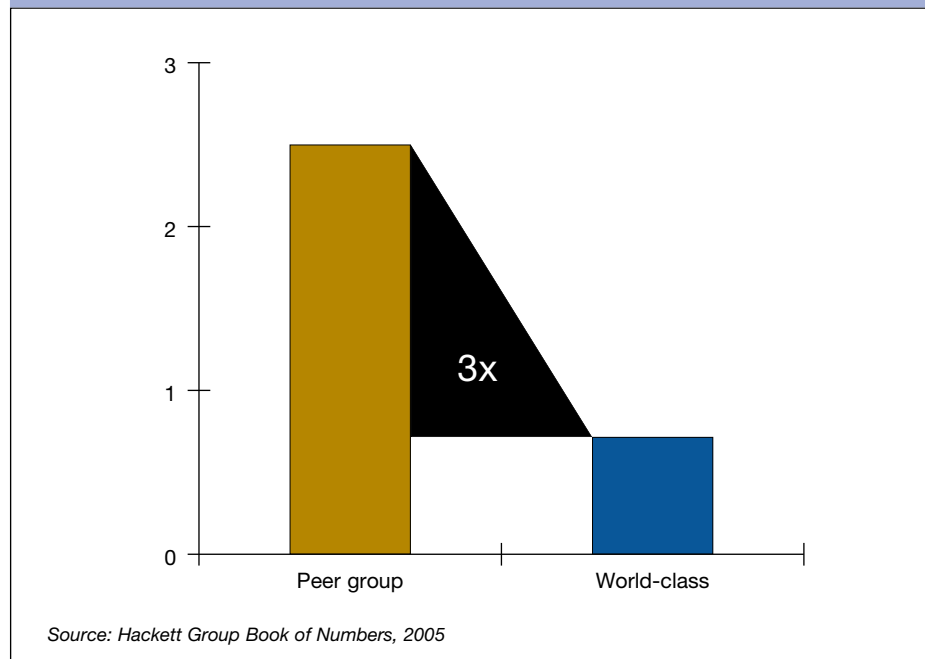
Start of journey

So, choosing an ERP is just the beginning of the journey to providing a world-class IT service to the enterprise. Which ERP is used is not a significant factor. So what does make a company world-class? There are many Hackett-certified best practices (those practices that are known to correlate with world-class performance in the Hackett database), and many of them are concerned with the use of IT. Themes that are worth highlighting here include the following:

- Simplification and standardisation. World-class companies have fewer customer databases, supplier databases and ERP systems in their company (ideally, only one), helping to cut down on costs of support and maintenance and increasing agility and responsiveness to business needs (see Figure 1, next page).
- Technology leverage. Better return on technology investments is achieved by world-class companies in ways including their use of higher

Expert Opinion

Figure 1: Number of separate customer databases per thousand end users



process automation and end-to-end process integration, through implementing self-service solutions for staff members (eg, employee procurement solutions and management reporting), and through superior business intelligence solutions and information delivery (see Figure 2).

- Gaining process efficiencies through appropriate business process sourcing. Internally, world-class organisations make more use of IT outsourcing solutions but, more important, world-class companies are ahead in implementing shared service organisations (SSOs) to bring down the cost of key processes such as accounts payable, and their IT organisations have a key role to play in keeping down the cost and improving the effectiveness of their SSOs.

- Philip Carnelley is a senior research advisor with The Hackett Group. In his 25 years in industry he has helped major corporations in a variety

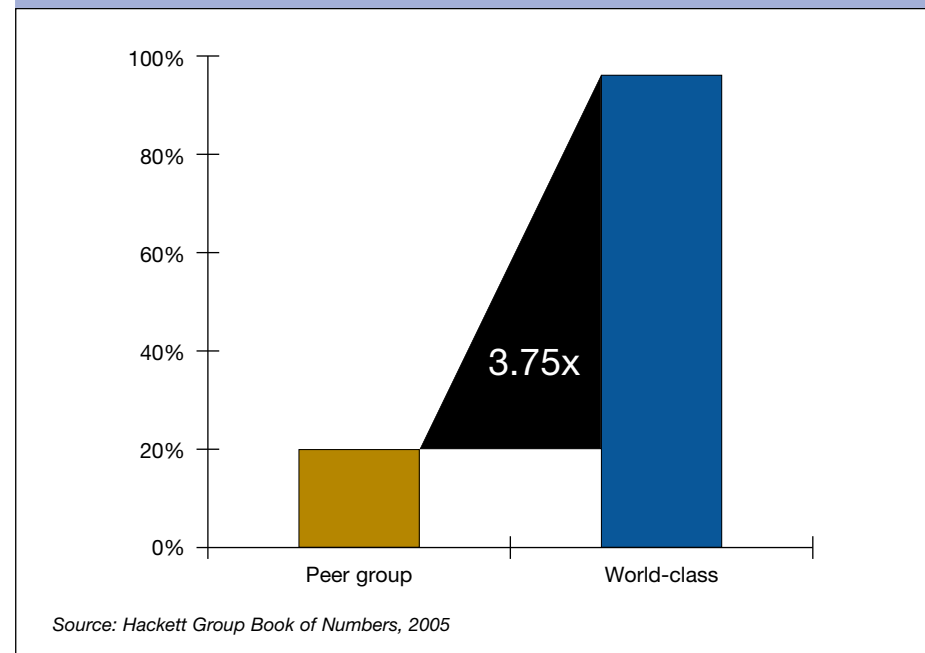
of industries to choose and use software solutions, and to implement the resultant solutions.

Note: Hackett Book of Numbers volumes are available to members of Hackett's World-Class Programmes – premium-value, membership-based programmes providing a tailored mix of benchmarking services, confidential advisor inquiry, best-practices research and peer learning opportunities.

Hackett World-Class Passport

The World-Class Assessment & Optimisation Passport Service helps Lawson clients develop a best-practice strategy for how to achieve a 25-35% greater return on Lawson investments in areas that include any combination of processes across finance, human resources and procurement. For further information on Passport Services, [click here](#).

Figure 2: Percentage of managers using self-service reporting tools



Supplier Profile

Lawson Software

Lawson is a leading provider of collaborative industry-tailored enterprise software solutions designed to improve organisations' business processes. The open architecture of the solutions offers users the choice of directly deploying a pre-configured solution, or customising the product offerings to conform to their business processes.

Lawson's solutions include financials, HR, procurement, enterprise performance management and services automation. Lawson has over 2,000 customers worldwide, has global headquarters in the US and European headquarters in the UK, and partners that serve South America, Europe, Asia, Africa and Australia.

- Lawson Financial Suite is an integrated, web-enabled set of business applications for medium to large service enterprises. It aims to shift the focus of the financial team from data collection and management to budget strategy and analysis. The suite includes accounts payable and receivable, asset management, financial reporting self-service, general ledger, lease management, payables management, project and activity accounting, strategic ledger, budgeting and planning, grant management and time and expense modules.

- Lawson Business Intelligence suite provides solutions for interpreting and making sense of an organisation's key 'numbers'. It includes a budgeting and planning solution, enabling users to conduct budgeting, periodic forecasting and dynamic planning. The reporting solution includes Smart Notification, Reporting Services, Scorecard, ProcessFlow, Analytic Architect and Lawson Data Marts.

- Lawson Services Automation suite helps professional services organisations and corporate service divisions optimise their processes, from opportunity to delivery. The suite includes Services Automation, Portfolio Manager and Time and Expense software.

Services Automation includes opportunity

COMPANY

Turnover (UK)	N/P
Turnover (W)	\$363m
Profit Before Tax (UK)	N/P
Profit Before Tax (W)	N/P
Number of Employees (UK)	120
Number of Employees (W)	1,600+

PRODUCT

Name	Lawson Software
First installed (year)	1995
No. of UK sites/new sites last 12 months	AOR
No. of World sites/new sites last 12 months	2,500 – AOR
Key markets	Financial services, retail, professional services, public sector, technology
Current version – date of release	v8.1 – Dec 03
Operating system(s) supported	Unix, Windows, iSeries
Database(s) supported	Database independent
Min/max no. of users supported	10-1,000+
Implementation timescales	AOR
<i>Scope of financial module:</i>	
General ledger?	Yes
Accounts payable/sales order processing/invoicing?	Yes
Accounts receivable/purchase order processing/e-procurement?	Yes
Fixed assets?	Yes
Reporting & budgetary control?	Yes
Consolidation (IFRS compliant)?	No

management, which allows users to manage their pipeline; project management, which provides strategic analysis of current investments and opportunities; and resource management, which lets users analyse their resource capacity. Portfolio Manager provides a side-by-side analysis of all engagements, whether they are active projects or new engagements coming down the pipeline. It can help users determine which opportunities will deliver the greatest margins. Time and Expense gathers all time and expense information in one place, accommodating traditional employees, offsite workers, non-employees and international staff.

Lawson says its industry focus and adaptable product design supports rapid enterprise deployment. Lawson believes that knowledge of its target services industries allows its industry-focused services teams to implement the software with an in-depth understanding of the business needs of the client, thereby reducing time, effort and expense.

Case Study

Lawson hits headlines at Trinity Mirror

Lawson financials and procurement solutions are helping this UK newspaper group consolidate and drive business change.

With over 250 titles, Trinity Mirror is the UK's largest newspaper publisher. The company's portfolio of more than 500 media brands includes national and regional newspapers, websites, magazines and exhibitions. Over the course of a week around 20 million people, nearly half of the adult UK population, read at least one Trinity Mirror newspaper.

Headquartered at Canary Wharf in London, the group employs approximately 11,000 staff across the UK and has a turnover in excess of £1.1 billion.

Trinity Mirror was born out of the merger of two highly successful newspaper companies in September 1999 – Trinity plc and Mirror Group plc. Trinity Mirror Shared Services is a division of Trinity Mirror set up in 2000 to create a central shared IT service to manage procurement and financial services for the entire group, whilst streamlining the many differing systems the group had acquired during the merger.

Turning the page

The decision to invest in new financial software was taken by the newly merged group in the summer of 2000. It quickly realised that the existing legacy accounting and procurement systems to be found in the group's different businesses would need to be replaced by a single unified system to support common processes across the business.

Creating a central shared procurement and financial service for all parts of the organisation became a key requirement to manage resources and support users consistently.

Steve Walker, IT director at Trinity Mirror Shared Services, explained: "Following the merger, there existed an opportunity to review our internal systems, procurement processes and supplier management, together with disbursement applications such as payables and ledger. From a technology perspective, there were also opportunities to host group-wide applications in a 'data centre' environment with a clear

payback in terms of reduced maintenance and support costs on distributed legacy systems. Accordingly, moving to a centralised processing environment made a great deal of sense."

Trinity Mirror worked with an external consulting firm and Lawson Professional Services and partners to help determine its exact

software requirements and establish Trinity Mirror Shared Services. They decided that Lawson procurement, accounts payable and general ledger solutions would be ideal to address internal business requirements and the shared service centre, based in Chester Business Park, was born.



Trinity Mirror:
every week
around 20
million people
read at least
one of its
newspapers

Case Study

Implementation

The Lawson financial solution was purchased in August 2000 and an initial implementation of the system went live at Trinity Mirror's titles in the north-east of England in March 2001. Lawson, its partners and Trinity Mirror's inhouse project team developed the applications on an IBM RS/6000 AIX hardware platform, with an Oracle database and Apache web servers.

Following the successful migration from legacy systems to Lawson in the north-east, the team continued to roll out the solution to the remaining regional newspaper businesses, completing this phase of the project in 2003.

In March 2005, the project team successfully upgraded to the latest release of Lawson software, version 8.1. In so doing they were able to move all existing procurement and financial users to the Lawson portal that was available within version 8. The continued rollout to the remaining parts of the group (Group Manufacturing and National Newspapers) will take the number of users up from 700 to nearer 1,500 by the middle of 2006.

Distilled benefits

Taking the core Lawson procurement application, Trinity Mirror, working with Lawson, has created a web-based self-service system that enables requisitioners and purchasers across the group to access a vendor master file and purchasing templates to raise requisitions and issue purchase orders in a straightforward but controlled manner.

By utilising Lawson tools such as Design Studio and ProcessFlow, Trinity Mirror has adapted the standard procurement and payables screens to help meet its requirements and has provided users with the flexibility, via drop-down lists, to send an order or invoice to the appropriate person within the business for approval. Email alerts are utilised to advise managers that they have an invoice in their Lawson in-basket for approval. The end-to-end process is automated, visible and controlled.

The Lawson software tracks the purchase from the moment the

requisition is raised to purchase order approval, goods received and finally payment. With integrated financials software, all purchases can be immediately posted to the general ledger.

Summary

With the merger of two leading newspaper businesses, and the need to consolidate processes and systems that were being duplicated at many different sites, Trinity Mirror wanted to move to a uniform shared service IT and processing model and to implement a software solution that could incorporate best practices. This would become Trinity Mirror Shared Services (TMSS), and the chosen software was Lawson's web-based, integrated procurement and financials solution.

The Lawson financial solution has provided Trinity Mirror with a sound, stable platform, capable of fully supporting the whole group.

Steve Walker explained: "Having established the shared service centre in 2000, the group focused on the version 8 upgrade as an opportunity to develop real synergies between the processes and the applications. In the last two years, the group has looked carefully at ways in which it can unify, simplify and standardise business processes.

"Working with Lawson to develop the version 8 application, we have made it the ideal vehicle for helping the business achieve these goals. An efficient processing centre and a reliable hardware platform have now given us the opportunity to focus on delivering business change across the group."

Brian Male, vice president of Lawson International Operations, commented: "It is very satisfying to be able to understand and help improve the business processes of an organisation the size of Trinity Mirror.

"What's more, the platform they have built provides it with the perfect opportunity to extend the use of the software right across the group. Our ongoing relationship with Trinity Mirror, from implementation through upgrade, demonstrates our commitment to deliver value to our customers."

IT implications of Sarbanes-Oxley: challenge or opportunity?



The Sarbanes-Oxley Act of 2002 is having a profound effect on business. Companies have been placed under the microscope like never before and this has provided an unparalleled insight into the quality of processes, controls and organisation in modern corporate business.

Valuable lessons have been – and are being – learned that have implications for all companies, whether required to comply or not. The EU has not missed these outcomes either and is planning its own Audit Directive on Corporate Governance.

The US experience of Sarbanes-Oxley highlights a number of issues, risks and opportunities that are increasingly pressing for UK-based enterprises and application software developers. These issues are relevant not only to SEC (Securities and Exchange Commission) registrants, but to all companies. Non-US companies with a US listing must now comply with the Act for fiscal years ending after 15 July 2006.

BASDA (the Business Application Software Developers Association) has produced, in association with PricewaterhouseCoopers and Lawson, an authoritative report on the IT implications of Sarbanes-Oxley.

To obtain a copy of this report, please email information@lawson.com.



Enterprise Applications

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