



Business Reality of the Mid-Market Real-Time Enterprise



This Yankee Executive Summary explores the vision of the real-time enterprise, creating new operational efficiencies, improving customer relationships, and make better business decisions faster. The vast majority of businesses have information scattered throughout the enterprise on paper, in siloed databases, and in e-mails, making real-time operations difficult to achieve. This paper explores the benefits and technology challenges mid-size businesses face in their real-time enterprise efforts.

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The Business Reality of the Mid-Market Real-Time Enterprise

Executive Summary

The vision of the real-time enterprise (RTE) is gaining momentum quickly and easily. However, although implementing and achieving RTE is not necessarily easy—it can take significant time and money—the business case is obvious. Every company needs to run in real time to create new operational efficiencies, improve customer relationships, and make better business decisions faster.

However, many companies do not have any access (let alone in real time) to basic information required for effective decision-making. The vast majority of businesses have information scattered throughout the enterprise on paper, in siloed databases, and in e-mails.

Making the changes necessary to achieve RTE and setting the business objectives will require specific technology changes.

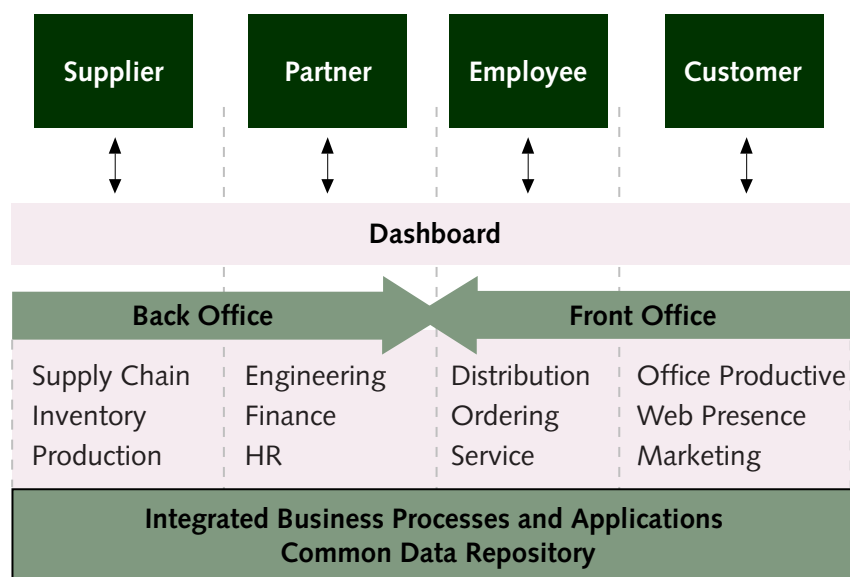
Enterprises should consider two levels of RTE:

1. *Real-time information collaboration for operational effectiveness*
2. *Real-time data for machine-to-machine operational efficiency*

Although both improve operational performance, the business benefits of real time information will have a stronger impact on improving top-line revenue. Machine-to-machine operations primarily affect the bottom line, through cost reduction.

Exhibit 1 What's Needed to Achieve Real-Time Information

Source: The Yankee Group, 2003



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A variety of technology options enable the real-time enterprise, such as Web services, middleware, data warehousing, and enterprise application suites.

The most appropriate option depends on the size of the company, current application infrastructure, and business process goals and objectives. This report examines the business benefits of operating in real time, and includes a review of the technology options that optimize the enterprise for improved performance (see Exhibit 1).

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I. What the Real Time Enterprise Is

The goal of the real-time enterprise (RTE) is to deliver accurate and timely information for quicker decision-making with customers, partners, employees, and suppliers. As with any successful technology solution, companies use a combination of strategy, technology, and people to tackle such issues as shortening the order-to-cash, issue-to-resolution, and lead-to-order cycle times. A company cannot shorten the order-to-cash cycle time without shortening the decision and business process cycle times.

Competitiveness depends on the ability to quickly identify and respond to critical events. The goal of RTE is to connect a company’s entire operation and enable all information to be shared in real time. Picture a dashboard approach, in which executives, partners, customers, and employees have access to up-to-date information in a context that matches their decision criteria.

Today, many companies cannot even gain visibility into basic performance questions, such as:

- Who are my most profitable customers and what have they purchased?
- What are the current opportunities that our sales team and partner network are working on and when are they expected to close?
- Which marketing campaigns generated revenue and why?
- Are we allocating the right resources to the right opportunities? Is the right information necessary to complete the order available efficiently and accurately?
- What are the past and current service requests from this customer and do they have an outstanding payment?

To succeed, RTE must be the heart of the enterprise supplying information and empowering collaboration. The RTE vision enables collaboration through automated business processes that let customers, partners, suppliers, and employees access information—and each other—in real-time. For example:

- Customers enter their own orders, check inventory, track shipments, pay invoices, and enter support inquiries
- Suppliers monitor customer demand, check inventory, order supplies, and monitor performance and payment
- Partners obtain leads, conduct joint promotions, check available-to-promise data
- Employees gain visibility for improved decision-making

By achieving a complete view in real time, business can shorten sales cycles, improve customer retention, and find new opportunities. However, to succeed, businesses need to harness their internal data and applications such as salesforce automation, customer service, marketing, accounting, ERP, and e-mail across the extended enterprise in real time leveraging the Internet and other complementary technologies.

The true measure of any business initiative is the extent to which it creates greater value for the company. The reality of RTE creates a demand-driven enterprise that integrates front-office systems (including newly added Web operations) intelligently with the back office to maximize profitability.

Leveraging Real-Time Information for Improved Business Performance

To understand the benefits of real-time information, companies need to eliminate linear business processes and siloed information repositories.

For example, the most common business process in any organization is the order-to-cash (or contract-to-cash) lifecycle. This approach takes into account the complete customer lifecycle—from attraction to servicing. A traditional approach is full of inefficiencies, such as verbal handoffs, paperwork, redundant data entry, and linear processes via multiple disconnected systems (see Exhibit 2).

The traditional approach locks information in Excel spreadsheets, CRM, ERP, or accounting systems. The alternate RTE approach takes the information on the separate systems and creates a central repository that provides a single view of the information (see Exhibit 3).

Exhibit 2

Contact to Contract to Cash Life Cycle—Disconnected

Source: *The Yankee Group, 2003*

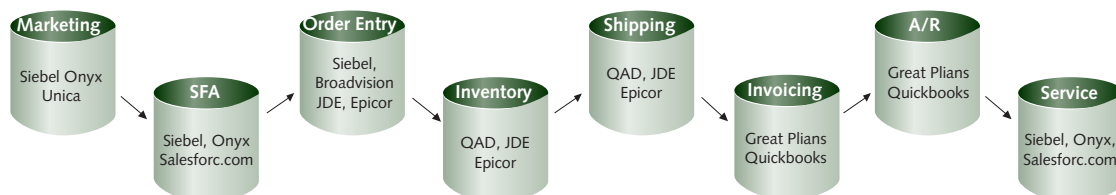
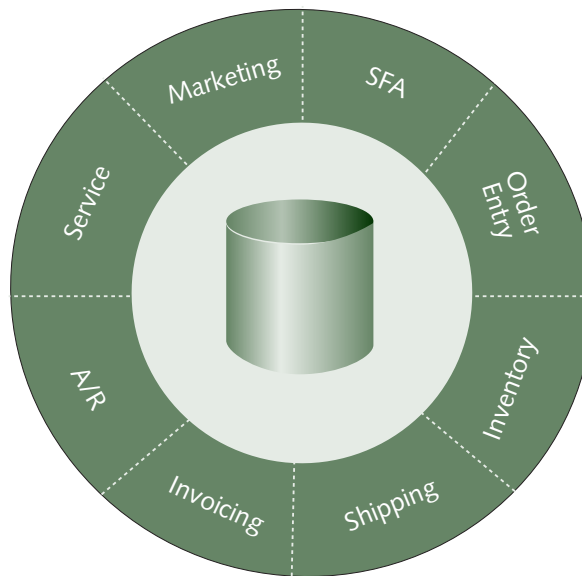


Exhibit 3**Contact to Contract to Cash Life Cycle—Unified**

Source: *The Yankee Group, 2003*

**Current State of RTE Success and Barriers to Adoption**

Many companies already have purchased some pieces of the RTE technology puzzle. However, the adoption of existing solutions varies drastically depending on the size of the company. These are examples of some existing approaches:

- Large enterprises:** Large enterprises already have invested heavily in enterprise applications suites such as PeopleSoft, Oracle, SAP, and Siebel for CRM, HR, financials, and supply chain. As a result, real-time initiatives exist at multiple levels, including investments in data warehousing and application integration technologies. Although the expenditures are worthwhile, enterprises are still far from meeting real-time requirements. Even though these companies have larger IT budgets and resources, most are allocated to maintaining existing systems and not investing in strategic initiatives such as Web services and integration. Barriers to the real-time enterprise include existing investment in heterogeneous modules, homegrown initiatives, and difficult business processes.
- Mid-market:** Some mid-sized companies and divisions of larger companies have implemented critical technology such as Great Plains, Microsoft CRM, and Salesforce.com for accounting or sales automation. However, it is likely that these applications are not easily integrated or cannot support internal or external collaboration. Many companies are still using spreadsheets and Microsoft Access to track customer information, which places a huge amount of critical information in unstructured repositories. The lack of available options at acceptable prices is a barrier at this level. Because these businesses have needs similar to large enterprises, some have attempted to implement an enterprise software solution. However, they have smaller purchasing budgets than larger enterprises and do not have the resources to manage such large systems.

- **Small business:** The most underserved market, small businesses and branch offices are in great need of better alternatives. These businesses do not usually have a financial buffer that can minimize the damage of poor decision-making. Many small businesses have invested in accounting packages such as QuickBooks, and contact managers such as Act and Outlook. Most prefer to make do with the limitations of these packages because alternatives seem very expensive and difficult to use. Although these businesses are less complex, they still have processes that these siloed applications do not support. This market is low-hanging fruit for newer technologies that are easy to use and offer a low price point. Barriers to RTE at this level are lack of available options and an understanding of the potential ROI for gathering information in real time.

II. Technology Options for Becoming a Real-Time Enterprise

RTE is not a revolution. It is an evolution that builds on the experience enterprises have with technologies such as data warehousing, business intelligence, application integration middleware, content management, customer relationship, supply-chain management software, and the Internet.

Becoming a real-time enterprise requires change at all levels—from business process reengineering to evaluating and implementing new technology solutions. In many cases, new technology is essential for achieving real-time performance. The goal is to provide a dashboard where executives and employees always have up-to-date information in context with the users' decision criteria. However, there are many different approaches to successfully create that dashboard.

Different Approaches and Trade-Offs

In IT, there are not a lot of technology options available that immediately turn a company into a real-time enterprise. However, companies need to understand the many different industry approaches and the time and money involved in each option.

- **Web-services and industry-standards efforts.** Among the major hurdles Web services must overcome to gain widespread adoption and acceptance are security, design and development complexity, integration with existing legacy applications and operating systems platforms, interoperability among various Web-services platforms and products, and making sense of dueling standards and protocols (there are 22 different Web-services standards and protocols under development).

Many industries and companies are trying to create standards to share data and information. Their goal is to build common data-exchange standards, such as XML, UDDI, and SOAP. However, battles over standards and flavors of XML are stalling the market and inhibiting success. Vendors pushing the Web-services approach are IBM, Microsoft, BEA, HP, Sun, and Novell.

- **Enterprise software vendors.** Enterprise software vendors offering premise-based applications such as SAP, Oracle, and PeopleSoft provide integrated front- and back-office suites with a combination of client/server or Web-based options. By adopting a suite, companies can alleviate some integration pains, but only

within an application. Companies also can make sharing information easier by implementing a Web-based option (rather than a client/server approach) to leverage a central repository. However, most enterprises have a mixed application environment, which does not enable the sharing of information in real time. These solutions also are targeted at large enterprises because implementation and maintenance costs are too high for small and medium-sized businesses.

Although Siebel only offers a CRM solution, they built Siebel UAN to ease integration with other back-office vendors. However, the UAN initiative is still an expensive way of achieving real-time visibility across the enterprise. Other vendors, such as Microsoft and Best, offer suites targeted at medium-sized businesses. However, these suites still need integration technologies to enable real-time information sharing.

- **Infrastructure vendors.** Data warehousing and EAI vendors have captured most of the license dollars associated with implementing and leveraging real-time information sharing. These approaches offer tremendous operational value, especially with larger organizations that have multiple heterogeneous sources. Data warehousing is also very complex, expensive and usually historical data. While there are strategies to achieve a real-time data warehouse, the majority of implementations are batch processes.
- **Hosted solution providers.** Similar to the Web-based solutions of enterprise software players, the only way to maximize real-time information sharing is to provide an integrated application built around business process workflows and a common data repository. Although possible with any Web-based application, hosted providers easily can enable the sharing of real-time information because of the application simplicity and the lower cost structure.

Hosted providers such as Salesforce.com and Upshot offer Web-based CRM functionality. NetLedger offers an e-business suite for front- and back-office functionality.

No matter the technology and processes, the goal of RTE is to ensure collaboration throughout and beyond the enterprise. All these approaches offer paths to becoming a real-time enterprise, but are not created equal. The next section highlights business problems companies are trying to address and the recommended approach to solve them.

III. Conclusion: What Is Right for my Business?

Many executives make important business decisions based on batches of information from sales, manufacturing, finance, and other sources that are usually days, if not weeks, old. Considering that the business world is constantly changing, old information is unacceptable.

Businesses that want to survive in the next decade need to maximize efficiencies to take productivity to new heights. Although the vision of the real-time enterprise is about conducting business without any human or technological bottlenecks, the reality is far from it. The path companies use to become a real-time enterprise varies based upon the answers to a number of critical questions. Weighting the importance of the issues outlined in Exhibit 4 will help businesses through the decision process.

Exhibit 4

How Do I Choose?

Source: Yankee Group 2003

Statement	Critical Path	Estimated Costs
Main goal is achieving real-time information sharing for improved effectiveness.	Integrated business processes and applications with a common data repository.	<p>\$ Hosted offerings are less costly. NetLedger offers complete suite. Salesforce.com and Upshot require integration with the back office.</p> <p>\$\$\$ Enterprise suites offer a consolidated view, but are very costly to implement and maintain.</p>
Main goal is establishing machine-to-machine real-time data sharing for increased efficiencies outside the firewall.	Web services and industry standards for outside-the-firewall integration.	<p>\$\$ Evaluate the ability of application suites (premise-based and hosted) to leverage industry standards.</p> <p>\$\$\$ Custom build from infrastructure vendors.</p>
Need to leverage current investment in data warehousing.	Need to leverage current investment in data warehousing.	<p>\$\$\$ A real-time data warehouse is expensive and resource intensive. This is a critical approach for large enterprises with legacy data. It is most applicable to financial services, telecommunications, and retail.</p>
Constrained IT budgets and IT staff, but want to achieve the business benefits of real-time information.	Integrate business processes and applications with a common data repository.	<p>\$ Evaluate the hosted and subscription ISVs that offer easy-to-use applications with real-time dashboards and lower cost of ownership.</p>

Note: \$ = low-cost solution \$\$ = moderate-cost solution \$\$\$ = high-cost solution

Competitiveness requires companies to see the complete contact-to-contract-to-cash process. In addition, a company must also have the ability to detect and respond to critical changes in the information. As a result, RTE is a requirement for businesses that want to remain competitive. There are many paths to achieving RTE, but the best long-term strategy is to invest in systems that are built to support RTE. Modifying existing systems can prove to be costly—and, ultimately, useless—in the long run.

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