



April 2008

Document **I50**

RESEARCH NOTE **NETSUITE HELPS GLOBAL COMPANIES COPE**

THE BOTTOM LINE

NetSuite OneWorld builds on an integrated repository to provide a single real-time view of global and multi-entity operations. Companies are able to manage multiple currencies, languages, time zones, and accounting structures through a single interface. Nucleus found NetSuite customers reported increased visibility, operational efficiency, and financial control.

NetSuite provides companies with on-demand ERP, CRM, and e-commerce applications. As Nucleus has found with software-as-a-service (SaaS) applications in general, the ability to quickly deploy and achieve benefits is one of the primary reasons on-demand applications can deliver significant returns on investment over a short timeframe. NetSuite's OneWorld module lets companies with independent operating units both consolidate data across units and drill down on individual data points within a business unit. Companies can use OneWorld to evaluate in real time its distributed sales, financial, and other operational information. It does this by building on NetSuite's single repository to allow companies to easily manage operations across multiple time zones, languages, currencies, taxation rules, and reporting requirements within a single NetSuite account.

Other traditional ERP vendors allow enterprisewide reporting. However, this can require investing in additional middleware, APIs, and business intelligence tools and may still not provide real-time consolidation. Oracle, for instance, offers a Daily Business Intelligence (DBI) suite as a complementary product for its E-Business Suite 11i financials applications. The DBI presents a set of dashboards that allow customers to look at things such as headcount, margins, or the cost of goods sold, and apply key performance indicators (KPIs) to them. However, the DBI requires implementation of the core Oracle financials system, along with a database, and the IT staff to oversee it.

Moreover, with traditional ERP systems, customers expanding or adding a new business unit are often forced to deploy an additional ERP system for that unit or create integration hooks with the existing system for reporting and operational visibility. With NetSuite, as with other on-demand services, there is little upfront investment and capabilities can be quickly activated as needed. This is especially beneficial for companies making acquisitions or undergoing rapid or widely distributed expansion. In particular, companies undergoing international growth can adjust quickly to legal compliance or tax variations across different countries.

TOPICS

Software as a Service
Business Intelligence &
Analytics
Enterprise Applications

DATA CONSOLIDATION

One of OneWorld's primary benefits is the flexibility it offers to companies that need financials or sales information and reporting across multiple units and subsidiaries. As one early OneWorld customer explained, prior to using NetSuite, when doing international management reporting and analysis, it had to take data out of its accounting system, and then "manually marry" that information with data from a custom-written SQL-based order management and operational system. "It was a manual effort prone to risk of error," explained an executive.

That same executive indicated their firm conducts business in multiple currencies, including British sterling, United States and Canadian dollars, euros, and Czech Korunas. OneWorld's capabilities enable them to run multiple legal entities, including international subsidiaries, on one global instance of NetSuite. All subsidiary data resides in a single repository for reporting purposes, but with multiple layers of consolidation. The individual currency data is automatically converted into U.S. dollars. Each night, NetSuite automatically updates the transaction exchange rates for all international currencies, so that the staff doesn't have to refresh the rates manually.

Companies with international subsidiaries or multiple legal entities can expect to increase the efficiency and scope of financial and operational data consolidation.

BETTER REPORTING AND DECISION MAKING

With consolidated data, the decision making process is immediately improved. OneWorld has pre-built views embedded in the application, and executives can set their own KPIs for each region or unit. The application also permits forecasting on a regional basis: executives can forecast European numbers without "bleeding" those data points into North America's, said one executive. All global operations are visible through NetSuite's reporting capabilities and business units can be individually evaluated and compared to other units.

One company using the OneWorld platform believes the system paid for itself within the first 60 days. The company made 8 acquisitions in the past two years and found it impossible to execute inquiries or get visibility into any of its subsidiaries in a timely manner. "We couldn't see anything well enough to manage the company," said an executive. "We had nine different systems, and while we might have been able to look at the individual systems of one acquired company at a time, we could not make a decision based on consolidated data. The amount of time to resolve a question for a member of management took so long it was moot before the research was done."

Using OneWorld the executive noted that the data can be accessed in real time via a browser. He contrasted this method with those of traditional ERP systems, which generally download their data in a batch mode, creating a time lag. "We see everything clearly," he said of OneWorld. "We like the way it operates and generates reports, and as a result, we can quickly make a decision around whatever the issue might be, whether we're looking at receivables, payables, or comparisons to budget. It creates a shift in the reporting paradigm."

IMPROVED FINANCIAL PROCESSES

OneWorld offers reporting, data access, and built in controls, which help improve time to close and other financials-related processes. This results in a number of benefits, which include:

- More rapid financial close. One customer indicated their closing process was reduced from ten days each month to no more than five days each month.
- Reduced days sales outstanding (DSO). For this same company, NetSuite automates the generation of invoices and past due notifications. OneWorld now allows customers to pay bills directly to the subsidiary that supports them instead of only to the firm's headquarters. These improvements have reduced the DSO by 5 percent.
- Better internal controls. All inter-company transactions can be segregated and tied to the specific subsidiary.
- Better compliance. OneWorld makes allowances for local taxation and other requirements, which improves compliance with regulations such as Sarbanes-Oxley.

OneWorld was able to improve speed to close for one multi-entity international company by half while improving its DSO by 5 percent.

Other potential benefits companies reported achieving from NetSuite include:

- Increased productivity
- Improved operations
- High system performance with low maintenance
- Better reporting on global product lines

DEPLOYMENT DETAILS

OneWorld includes multi-currency and multi-company functionality normally found within traditional ERP systems. However, according to one recent OneWorld customer, NetSuite requires only 10 percent of the work to go live when compared to those traditional systems. For instance, it took only a month to deploy OneWorld to a European subsidiary. This company estimated a conventional ERP system might have required a year's worth of work. The go-live speed was "*mind boggling*," according to one executive. If a new company is acquired, it can be brought online and integrated into the existing NetSuite ERP backbone without requiring a massive internal build-out.

OneWorld delivers the capabilities of a traditional ERP system, but requires as little as 10 percent of the implementation effort normally associated with an ERP deployment.

Existing NetSuite customers that are running a single version of its ERP service may need to migrate their archived transactions and other data to OneWorld as part of a OneWorld deployment. Also, OneWorld is a separate NetSuite module and is priced separately. Users noted that as with any complex software system, getting an ROI requires management and end user buy-in and adoption. To achieve a quick deployment requires proper homework with thorough preliminary testing.

CONCLUSION

Nucleus found customers that have deployed OneWorld were able to consolidate data across multiple business units more efficiently while also gaining greater granularity into business unit operations, even down to the transaction level. The benefits of SaaS applications such as NetSuite to quickly deploy and return benefits make them highly attractive from an ROI standpoint. For existing NetSuite customers that need to quickly integrate a subsidiary or new business unit into existing operations, the relative cost and ease of rollout make OneWorld a logical application to consider.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-781-416-2900, or e-mail info@NucleusResearch.com.