KEYNOTE INTERVIEW

A guide to digital transformation

From configurability considerations to streamlining implementation processes, Epicor's Clarke Pich and Vaibhav Vohra outline the key components for delivering value when investing in technology

Q Are portfolio companies generally open to embracing tech transformation?

Clarke Pich: Change is not necessarily something that people enjoy and if change is not done well, it can lead to bad outcomes. When you are dealing with people who have significant tenure with a company, for example family members of a family-owned business where things have been done a certain way for many years, change is challenging. Even when better, more efficient processes are presented, there's often resistance, an unwillingness to change even when it drives improvement.

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At Epicor, we have a change acceleration process – essentially change management. It's designed to go hand in hand with our implementation methodology and help support the customer through the business process changes in a way that leads to optimum success.

Q How do you minimise disruption during implementation?

CP: Efficient, successful implementations are always the objective, especially with PE-backed companies. You want an accelerated process for quick time-to-value, while minimising risks. We bring a proven level of expertise both in terms of our products and processes. We also want to make sure the portfolio company or the PE firm has an opportunity to engage the talent we need to successfully implement the system and process changes.

It is important to have a well-defined and well understood scope to ensure an on-time delivery of the project. So, not only do you need talented resources, but what you are trying to accomplish also needs to be very well understood and mutually agreed upon by all stakeholders.

The fastest way to implement an enterprise resource planning system usually involves utilising the functionality as it is designed or out-of-the-box. It sounds great on paper, but it is not always easy. It sometimes involves the portfolio company accepting more process change.

Q How much customisation are portfolio companies looking for?

CP: Periodically, there is a disconnect between the PE operating partners and the portfolio company management teams. Inherently, management teams are change averse – they want to do things the way they have been doing them – so they are going to try to drive customisation. Meanwhile, the private equity operating partners are likely going to desire an out-of-the-box or vanilla configuration. The technology vendor's team will need to stay in the middle of that and communicate bi-directionally with all parties to reach consensus.

Our Epicor solutions are inherently flexible. However, in these situations, there is going to be an item or a field where the customer says, 'well, it would be cool if it was this way'. Yet, it may well not be the best thing to do. It might be better to change your process to mirror the solution. Certainly, time-to-value-wise, you are going to be able to circumvent a lot of downstream problems, reduce risks and lower costs, if you leverage the vanilla solution, which in our case is designed to support the vertical industries we serve.

Vaibhav Vohra: We've seen our customers desire a middle ground between 'heavily customisable' and 'out-of-the-box ready' – a world in which you can balance the two and reap the benefits of time-to-value while enabling the ability to adjust the last mile. This ability, or 'configurability' can get further amplified with the ability to leverage low code/no code capabilities.

When we build our products, we give our customers the ability to leverage low code toolsets to build components using Epicor's Design System (Epicor Application Studio) and also integrate with applications outside the Epicor Ecosystem (Epicor Automation Studio). Ultimately the private equity model allows firms to thread the needle with the power of low code configurability, and ultimately decrease time-to-value.

Q How has operating through the pandemic changed attitudes towards transformative tech solutions?

CP: The companies that embraced cloud solutions pre-pandemic sustained some level of benefit during the pandemic disruption. The companies that still had on-premise software and servers had a little bit of an extra headache or challenge. Companies will have that in mind as they make decisions around what they are going to use going forward.

VV: Before the pandemic, lots of people started looking at automation with the idea of replacing factory workers or entire IT departments, for example. They figured out very quickly, it doesn't work. Now attitudes towards automation have changed – automation is no longer about just replacing people, it is about empowering them and giving them the technology to be more effective.

Q When will private equity owners start to see value from their tech investment?

CP: The sweet spot for implementation cycles is six to nine months. At go-live, the company is going to see operational improvements – better information and better processes. It also gets better over time, as the inherent organisational resistance to change dissipates.

VV: There is the phase one, go-live, immediate time-to-value. Then, when you have an ERP, there is also follow-on value and opportunities when you open up your ERP to your broader ecosystems.

Part of the challenge is that ERP systems connect with 60 or 70 different applications on average, but through our recently launched Automation Studio, customers can connect with hundreds of other applications. We have created a community where our customers can build their own recipes, collaborate and share information with each other to complete the last level. For example, if they want to send a marketing campaign and experiment with three or four different email providers, we give them the recipes to do that via the community. If our customers would like to integrate with CRM providers, we give them that capability as well.

Q What in-house capabilities do private equity firms need in order to work with technology partners most effectively?

VV: Private equity firms with IT-experienced operating partners who recognise the value of modernisation often become our biggest advocates. They understand the power of making tech-enabled process changes within the portfolio company or platform. These partners are essential to transforming these businesses and maximising returns.

Private equity firms need a general understanding of how a software company and applications can deliver value to their portfolio company. This perspective, coupled with a good understanding of what is in the realm of the possible and what is not, in terms of budgets and timeframes, is also important.

Q How are private equity firms evaluating their tech partners?

CP: There is a trend towards time-to-value risk mitigation. If we look across the ERP landscape, there are a tremendous number of challenges with regards to taking a more horizontal solution platform and customising it for a specific industry or use case. By design, we focus on our core verticals, and we deliver value to those specific industries. As a result, we can provide far more specific functionality out-of-the-box. This goes back to configuration versus customisation. When you reduce customisation, you reduce risks.

Q Do these technology solutions offer private equity owners benefits they can leverage across their wider portfolio?

VV: With our business intelligence products, users can create their own set of KPIs and dashboards. These are highly configurable, providing capabilities and insights, and not just in terms of what is happening today – there is also an ability to do predictive analytics.

Many private equity firms are trying to forecast several quarters out to get an understanding of the impact of inflation and other macroeconomic factors. They have the ability to forecast based on first-party data. There are a lot of third-party datasets you can acquire, but the ERP is such a special place because all the transactions occur right there. Private equity firms are wanting not to just compare their individual operating companies, but also understand if there is a golden data set within their operating companies that can tell them whether to acquire more companies or look at other areas, for example. Private equity firms can almost pivot their investment thesis based on ERP data.

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>
> **CLARKE PICH**

Q What are some of the new technologies private equity firms should be keeping an eye on?

VV: The majority of small and medium-sized businesses at a certain scale are now experimenting with robots, sensors or other 'things' within their warehouses, manufacturing floors or backrooms. Epicor offers the ability to connect with sensors and use the data and insights, for example to incorporate those into pallet tracking in a warehouse. We have the ability to leverage robot data to help manage the supply chain in a warehouse setting.

When you have makers, movers and sellers – which is our customer base – there are increasingly opportunities to enable process integration across the ecosystem. There is a future state where this data will be shared.

For example, you could imagine being able to predict or detect a weather disruption impacting distributors on the West Coast, meaning a manufacturer should update delivery times to its sellers. This data could become very fluid and create interesting insights that allow businesses to make better pricing decisions or better supply chain decisions.

As a world, we'll move more towards a state of cooperation, which I think is a crucial element in terms of the ultimate applications of artificial intelligence, and predictive and prescriptive analytics.

Innovation isn't just about going from zero to one, like getting robots up and running on your factory floor; sometimes it is about being able to do something that you never could previously. For example, innovation could involve bringing in capabilities for manufacturers to do light distribution and for distributors to do light manufacturing, so they can start controlling their supply chain and supply chain visibility. ■

Clarke Pich is global head of professional services and Vaibhav Vohra is chief product officer at software solutions provider Epicor