

POWER OF CHOICE



Why Manufacturing Cloud ERP Users Need “Power of Choice “ in Financial Packages

Rootstock Founder, President, and CEO Pat Garrehy

With the rapid growth of the Salesforce ecosystem, more and more companies are considering independent software vendors' cloud applications for that platform. This also applies to those companies looking for cloud-based ERP solutions. Many manufacturers and distributors that have their CRM and other software on that platform are now considering an ERP created just for them that is written on Salesforce. This means the company can leverage their investment in the Salesforce platform and integrate their manufacturing and/or ERP seamlessly with their other Salesforce cloud apps.

But, such integration doesn't stop at with the manufacturing ERP. IT management will want to continue to promote a 'best of breed' approach to Financial Applications. Present and future manufacturing customers will want their Receivables, Payables, Ledger and Reporting software from a Salesforce partner so that they can continue to easily integrate that partner's financials with Manufacturing Cloud ERP in the same manner as those seamless connections exist today.

Leveraging “power of choice” options, Rootstock is integrated with other apps on the Salesforce platform such as Avalara for sales tax compliance and ZenKraft for shipping integration for Fedex and UPS. For their accounting functions, one may want to explore Financialforce, Intacct, Sage Live and Rootstock financial packages among others. Wanting and needing alternatives in selecting the right business applications to empower their businesses, they will insist on integrating with real time accounting applications. Those companies focused on manufacturing and distribution will want to assure that their accounting packages, including Accounts Receivable (A/R), Accounts Payable (A/P) and General Ledger (G/L) have the financial features that are of importance to them.

Thus, they will be looking for financial solutions which include A/R Cash Application and Credit Management, A/P Payment Processing and General Ledger and Journal Management. Financial Reporting should include fully customizable A/R and A/P Aged Trial Balances and Sub-Ledger analysis as well as Management reports for Profit and Loss, Balance Sheet and Cash Management Analysis.

Such Accounting Apps especially accommodate manufacturing and distributor “hub and spoke” organizations, in which the individual

operating unit is free to have its own ERP and local accounting functions but all financial reporting is done at the corporate level with a very easy, flexible solution. If such an organization subscribes to an A/R and A/P from a single vendor, there could a single integration to the company's G/L of choice.

Three types of organizations will find this kind of manufacturing- and distributor-oriented Accounting Apps valuable. First of all, a number of small to medium sized companies that deploy Manufacturing Cloud ERP have previously used QuickBooks and have needed an A/R and A/P migration path. With Salesforce accounting apps, they will be able to maintain both customers and vendors with their Manufacturing ERP software, not having to concern themselves with two sets of customer and vendor masters. Secondly, companies that are replacing legacy packages such as JD Edwards, Dynamics AX and GP (formerly known as Great Plains) may also have a need to end up with both A/R and A/P while maintaining their G/L. Lastly, as larger and larger manufacturers and distributors move to the manufacturing and distributor cloud based ERP solutions, they can incorporate integrations with the G/L of an SAP or Oracle system while performing A/R and A/P at the operational level.

What to Look For

Keep financials in mind when selecting Manufacturing or Distributor Cloud ERP. Look for features in the ERP such as Sales Orders and Invoicing, Purchase Orders to Receiving to Vendor Invoice 3-way Match, robust Cost Accounting (with cost elements that include not only material but material burden, labor, fringe overhead, labor overhead, machine overhead and subcontract) as well as elements like Subscription Billing and Deferred Revenue and Cost of Sales Management. They will provide much of the heaving-lifting for transaction feeds into the new A/R, A/P and G/L Financial Apps. Adding more A/P functionality, such as invoice, debit memo and vendor credit maintenance (based on RTV transactions), to the flow becomes a natural extension of the core functionality.

The Salesforce list of software partners gives manufacturers and distributors great opportunities to integrate software. But, it is up to each user to leverage one set of apps into another.

Rootstock Adds Financial Software Capabilities to Cloud Manufacturing ERP Software

PJ Jakovljevic - Principal Analyst

During the Dreamforce 2015 mega conference, Rootstock Software announced that as of early 2016, users of its cloud manufacturing enterprise resource planning (ERP) software will be able to purchase a new set of Rootstock financial and accounting software modules. Accessing more complete functionality under the same contract and license can be a huge advantage, but what about matching users' needs? Let's look at Rootstock's announcement and what it could mean for your enterprise.

Rootstock is nearing 70 user companies, and about 85 percent of those are also users of Salesforce cloud customer relationship management (CRM) software. ERP software from Rootstock is a native cloud manufacturing ERP software solution on the Salesforce App Cloud (formerly called Salesforce Platform). Rootstock will continue to promote a best-of-breed approach for prospective Salesforce App Cloud users. Those customers will still be able to get financial management software from a Salesforce partner, such as FinancialForce, Intacct, and likely also from emerging Sage Live cloud software soon.

Rootstock's founders originally wanted the product to be a best-of-breed cloud manufacturing ERP software, and partnering with the aforementioned cloud financial software vendors made sense. However, when selling outside of the Salesforce environment and facing

off with Plex, NetSuite, Infor, Epicor, Microsoft Dynamics, and others, Rootstock realized that dealing with two separate cloud software contracts (i.e., Rootstock and FinancialForce) is a non-starter for some prospective customers. Some pundits might have thought that this was rather Rootstock's response to Kenandy, another Salesforce App Cloud-based cloud manufacturing ERP software provider with its own financial management software. Rootstock cites the opposite, that it sees solid opportunities outside of the Salesforce ecosystem.

Many small-to-medium businesses (SMBs) that outgrow QuickBooks might see Rootstock's financial software as a viable replacement. The vendor also envisions hub-and-spoke two-tier ERP software situations at large enterprises, where the individual operating department, location, or branch might have its own local cloud manufacturing ERP and accounting software, but all financial reporting and consolidation is done at the corporate ERP software level.

Thus, adding financial software functionality was a natural extension of Rootstock's cloud manufacturing and distribution software modules, which have been sold to customers for several years. Many of Rootstock's employees have extensive experience building financial applications from working at former on-premise ERP software vendors, and that savvy was leveraged for new capabilities that include accounts receivable (AR), accounts payable (AP), and general ledger (GL).

Rootstock Rounding Out Its Cloud ERP Offerings

Strativa, Frank Scavo's

Rootstock Software is an up-and-coming cloud manufacturing ERP provider, built on the Salesforce.com platform. Last year, we reviewed Rootstock in our post on ERP systems in the Salesforce ecosystem. This post provides an update, based on our interviews with Rootstock executives and customers about the progress the firm has made over the past year.

Adding Native Accounting Applications

With a long history in manufacturing systems, the Rootstock development team built the first iteration of its system in 2008 on the NetSuite platform and then in 2010 rewrote it on the Salesforce platform, where it has continued development over the past five years.

Historically, Rootstock restricted its efforts to manufacturing and supply chain functionality. When customers needed accounting systems, Rootstock would usually bring in FinancialForce, another AppExchange partner.

Then, just before the Salesforce user conference this month, Rootstock announced that it was building its own native financial applications. The new suite of Rootstock Financial Apps, due for release in early 2016, will include general ledger, accounts receivable, accounts payable, and financial reporting. The new accounting functionality is

designed to support a two-tier ERP strategy in larger companies, where individual business units or facilities run Rootstock's operational and financial systems with integration to the company's corporate general ledger and financial reporting systems.

Interestingly, Rootstock had just begun to also offer integration with Intacct's cloud accounting system, which is built on its own cloud platform. Furthermore, Rootstock CEO Pat Garrehy recently indicated that Rootstock will also provide integration with the newly-unveiled Sage Live accounting system, which is also native on the Salesforce.com platform. The historical relationship with FinancialForce will also continue.

With so many choices of accounting systems, we asked COO Chuck Olinger why Rootstock felt the need to also develop its own financial modules. He indicated that in some deals, customers prefer to deal with a single vendor and sign one software agreement. In our ERP selection consulting, we often see customers turned off by solutions requiring too many complementary products. Rootstock's approach is probably the best of both worlds: offering a single solution out of the box, with options for other accounting systems for customers who need the particular strengths of those partner products or already have them in place.

Riding the Analytics Wave

In the Salesforce ecosystem, Rootstock is one of the early adopters of the Salesforce Wave Analytics Platform. This platform, first announced in 2014, adds a much-needed business intelligence capability to the Salesforce platform. Traditional BI solutions are written and deployed external to ERP systems. Generally, this means a user will need to toggle between two applications: the transactional system and the reporting system, creating disjointed business processes. The idea with Wave is to provide business intelligence and reporting directly in the transactional system, by means of a Wave Analytics dashboard. Customers can then create a menu of custom actions to handle the most typical responses needed.

Salesforce is not the first provider to embed BI in its transaction system or make it part of its development platform. Other vendors, such as Oracle, SAP, Workday, and Infor have already been down this road. Salesforce, to some extent, is actually late to the party.

Rootstock will be rolling out Wave Analytics as the platform for its new performance reporting capabilities. The new ERP Performance dashboards, now in pilot stage, allow users to define and report on key performance indicators and other metrics to serve as early warning signs and prompting users to take action.

Momentum in Customer Wins

In early 2014, we saw about 35 customers listed on Rootstock's website. At this time, we count nearly 60, which shows good market traction.

At Dreamforce, we had the opportunity to interview Scott Johnson, senior director of planning and fulfillment at Solar City, a solar energy system installer for residential and commercial facilities. With 10,000 employees, rapid growth, and Elon Musk as its Chairman, Solar City will be an important reference account for Rootstock.

Solar City's manages an enormous number of concurrent customer projects. Today, there are about 90,000 active jobs. This is because within a customer project, each rooftop is a separate job, with its own configuration. For example, a 300 unit housing development will call for 300 unique jobs. To get an idea of the scale of its operations, consider that its customer base includes Wal-Mart, eBay, Intel, the US Department of Homeland Security.

This volume of activity is a key operational requirement, as it directly

affects the MRP workload. We have seen other cloud ERP providers that struggle with MRP explosions in a multi-tenant cloud environment. But Johnson indicated that Rootstock can do a full MRP explosion of Solar City's material plan in just 15 minutes.

Rootstock went live at Solar City with MRP as a first phase in February. An early benefit is that the new system now allows incoming material receipts to be drop-shipped directly to the local job point of use, bypassing the central warehouse. The rest of the new system is being rolled out in phases.

On the international front, as we reported last year, Jan Baan (founder of Baan Software) joined Rootstock's advisory board. We had the opportunity to speak with Baan at a Rootstock reception at Dreamforce, where he told us about his first sale for Rootstock in Europe through his team at Vanenburg Software, a Rootstock channel partner.

Rootstock also claims customers outside of the U.S. in Canada, Europe, Asia, Australia/NZ, and even Africa.

Advice for Buyers

Having been at this for over eight years, Rootstock is well down the development cycle and is a credible solution for supply chain planning and manufacturing, including hybrid modes of manufacturing. Its ability to handle project-based manufacturing and services is also attractive for many newer companies at the leading edge of innovation. Its support for multiple companies and multiple sites from a single tenant on Salesforce.com is particularly important as it sells into larger deals.

As indicated earlier, the lack of native accounting applications has been a constraint in some deals. As Rootstock now rolls out its own financial systems, that issue should become less of an obstacle. Its open approach to integrating with other financial system providers may bring opportunities from those partners as well.

As with any ERP systems—whether cloud or on-premises—Rootstock is not a good fit for every situation. In our ERP selection consulting, we find Rootstock particularly candid about where it thinks it is a good fit and where it should pass on an opportunity. This is a sign that the firm has a healthy pipeline.

Buyers considering Rootstock should take a look at the customer profiles on Rootstock's website. Those will give a good indication of whether there is likely to be a good match.

CONTACT

SmartProductionSolutions
Utopialaan 36
5232 CE 's Hertogenbosch

+31 (0)73 615 9950
info@smartproductionsolutions.nl

