

Does the World Need Another ERP Suite? Cosima Thinks So

Published: March 20, 2006 (Interview made by Computer World, Norway)

The market of ERP software is not exactly a hot topic any more—or is it? The conventional wisdom is that the ERP market is a “mature” one, dominated by a well-defined list of vendors that have just about tapped out anyone and everyone who is remotely interested. ERP news is largely about new versions and enhancements and, in recent years, about acquisitions—hostile and otherwise—and the occasional major glitch or faux-pas in implementations.

So, you might be thinking, what might compel a company to launch a new ERP product today? Does the world need another ERP vendor? Yes, according to Per Ljaastad, CEO of [Cosima International](#).

Cosima is a 15-person, privately held company, which grosses about \$1.2 million per year in revenue, located in Oslo, Norway. Most of that revenue, until now, came from its services business when building pilot client solutions. In the next two years our goal is to become market leaders in Scandinavia and Europe on the new generation ERP software. 2006 is the year to open the doors into the market and start growing the company into a global business.

But in 2000, Cosima decided that the aging ERP systems in place today are no longer capable of serving business needs that have changed substantially over the past decade. Ljaastad says that the “established” ERP market is “software that has been around for 15 years or longer. It’s old technology, methods & structure. These systems do not have the business focus and user options as expected of people who actually use these systems. Today, the major vendors are trying to make their software do Web services, because the customers want their users to communicate with other vendors in their supply chains. So every ERP vendor is trying to do this, but it is very costly to build this capability on top of old technology with missing service orientation.”

A recent white paper published by Cosima summarizes this position by arguing that all first-generation ERP vendors are currently racing to convert their systems to object-oriented and Internet-based Web browser paradigms, “a task that is a daunting effort for these older packages, whose internal source code is, fundamentally, unsuited to the Web.” Ljaastad also state that these systems do not have the ability to make use of the native functionality of the Web browser, with true integration between the ERP application source code and the object-oriented JavaScript code & MS Script code engines allowing Web browsers to become a functional extension of the ERP application rather than a dumb terminal.”

Terms like “SOA” and “Web services,” says Ljaastad, now is simply used by the large ERP vendors to move focus away from their internal struggle on coping with clients demands on showing ROI (Return on investment). Actually it looks for me they plan to use SOA as the hiding of all internal struggles on getting in shape with modern technical and structural demands. As an example, how can Oracle facilitate SOA when they cannot make each of their acquisitioned products communicate, and the same with SAP and their data model from the 80’s with 20000 tables based on mainframe installations in a huge factories without focus on services at all.

With this in mind, Cosima set out to build a completely new Value Chain-based ERP suite called Cosima ValueChain, and, after looking at the definition of the phrase ERP we decided to use VRM, based on Value chain Resource Management. The reason for focusing on value chains is natural; it makes the business dream of any company with linking all activities (read

services) both internally in all stages from producing the product towards sales and delivery to the clients, including externals like vendors into the value chain network.

In 2000, Ljaastad says, the company made the decision to focus its product and marketing efforts on a new generation of ERP business software based on value chains and its theory. The first vertical market segment was the wholesale industry. In 2001 we delivered our first vertical to membership organizations, like Red Cross and others. The experience earlier on working with organizations helped us to develop their focus and benefit of value chains. Then in 2003 we moved on to the Insurance vertical, also having a huge need of value chain focus. In 2004 we moved on to the Industry vertical, extending our software with new value chains matching the demands of the wholesales vertical. Last, but not least we finalized in 2005 the manufacture vertical. This shows in total a focus on 4 verticals, all setting new standards in the market of ERP. Other industries will follow later, but Ljaastad was not willing to announce which ones at this time. In stead he indicates the alternative Cosima Template; letting the client him self select actual vertical as a template for adoption to their own competitive edges.

Ljaastad purports that Cosima ValueChain is the market's first completely ERP solution that offers customers the option of implementing a solution helping business to increase their performance and competitive edge by fully involving clients, employees and in fact all parts involved in the value chain. "In any of our vertical, the end-user has one application window serving all activities of the user's role in the business."

Cosima ValueChain, with an entry-level price tag of €12,500, requires a Windows, Unix or Linux server with standard performance, 1 GB of main memory, and Windows clients in TCP/IP network, or with Internet / browser access to modules typically demanding mobile access. The software package is comprised in several different modules per vertical :

Industry & Wholesales :

- Accounting: with integrated General Ledger, Accounts Receivable, Accounts Payable, and banking features (including payment agreements and E-invoice).
- Web Portal: for users having activities like tracking of shipping and receiving. This module can also be used in Intranets to spread documents, reports and information.
- Order Entry: for filling and shipping order according to inventory availability, with a direct link to the Accounting and Web Portal modules, and an account and data item query capability.
- MA : Material and production module covering all aspects of planning, follow-up and performing manufacturing of products from sales orders, production orders till deliveries to clients.
- Administration: for configuring and maintaining high-level system parameters.

Insurance & Membership organizations :

- Accounting: with integrated General Ledger, Accounts Receivable, Accounts Payable, and banking features (including payment agreements and E-invoice).
- Web Portal: for users having activities like tracking of actor administration. This module can also be used in Intranets to spread documents, reports and information.
- Invoicing: for automatically generation of invoices per intervals, with a direct link to the Accounting and Web Portal modules, and an account and data item query capability.

- Damages & valuation (Insurance) : Cover all aspects of administration with a close follow-up. The Valuation Portal gives access to all damages per valuation.
- Fundraising (Member org.) : Cover all aspects of fundraising with a close follow-up. The Web Portal gives access to all members per location and lets locals do admin.
- Administration: for configuring and maintaining high-level system parameters.

With the object-oriented design architecture of Cosima ValueChain, says Ljaastad, “it is now possible and practical to integrate just-in-time information and real-time data into a functional digital dashboard, customized for the individual employee, and available when and where needed—on the laptop, PDA, or cell phone. Further, related information in the Cosima ValueChain database can easily be accessed using intuitive, drill-down techniques through the graphical user interface in our Cosima Analyze.”

The primary competitors that Cosima seeks to displace are J.D. Edwards users who are not moving to the [Oracle](#) Fusion suite, [Lawson](#) supply chain users, low-end [SAP](#) users who cannot move forward, and users of [Microsoft](#)’s Great Plains and other manufacturing packages who may be disenchanted. In addition, Ljaastad says Cosima is after “anyone who really loves the concept of value chains and wants to upgrade to this level of business focus.”

Many ERP vendors will, of course, argue that they are not, as Ljaastad claims, several years away from being able to lay claim to having a fully integrated ERP that can utilize the native capabilities of the SOA for both data management and presentation. Native is in the eye of the beholder, and there are many ways to get SOA functionality. The issue for Cosima is whether or not its arguably sophisticated Web interface will be enough to entice users away from other vendors to an entirely new system, especially given the commitment of time and resources (not to mention software and hardware costs) to implement. Pulling customers off existing ERP packages and onto the concept of value chains is a neat (but sometimes difficult) trick, and the [ValueChainGroup](#) will encourage.

Cosima boasts fast implementation (pre-defined batch jobs loading all data) and ease of training, of course as each user group is trained mainly in one application window. The company also offers a set of translation services to work with clients to help them through the migration process, including a set of generic APIs that will take data from the previous ERP and move it into Cosima ValueChain format.

But the big impetus for migration will come, Ljaastad believes, if companies will honestly examine the total cost of ownership (TCO) of the two options: staying with their first-generation ERP software, or moving to a true value chain system. “The plain truth is that first-generation ERP applications have neither the flexibility to add or change functionality, nor are they capable of full business focus. The first-generation ERP applications, with their legacy code burden, thick-client desktop paradigm, and extended, server-driven support infrastructure, is simply too great a financial burden for the average organization. The size and composition of the IT workforce needed to support first-generation ERP systems is excessive. Conversion to a single midrange computer will go a long way toward reducing infrastructure costs.”

Such arguments are, in fact, compelling. But it’s not clear that those who create (and slash) IT budgets are always willing to factor in the fuzzy factors involved in such a cost justification.

Discussions like this always seem to repeat also in the private: should I, one more time, spend hundreds of euros to patch up my old cargo van and buy another 25,000 to 50,000 miles of

transportation for me and my dogs, or should I sell it and buy a new van? Like many CIOs, I have replaced the alternator, put on new brakes and tires. And I'm still driving the same old van and it makes me nervous on long trips—when will it brake ?

Have first-generation ERP users reached that point? Cosima believes so. We'll see. And those of us who love the options of business performance, that is Cosima's target market—will hear the message, find it compelling, and come to us. That is the intention of this interview as Cosima now a day goes public in the market to attract a global distribution network.