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VALUE PROPOSITION FOR IBM SYSTEM i: COST/BENEFIT CASE FOR JD EDWARDS ENTERPRISEONE DEPLOYMENT IN SMALL BUSINESSES

Why should a small business deploy an enterprise resource planning (ERP) system? Among those that have done so, simple answers emerge. To improve efficiency and reduce costs. To respond faster and more effectively to customer needs and market conditions. To grow. Capabilities that have benefited larger companies can provide new and powerful forms of competitive differentiation to small businesses.

This report deals with a new way of realizing such gains – Oracle’s JD Edwards EnterpriseOne ERP system, deployed on the IBM System i platform. Until recently, both of these were employed primarily in midsize and large companies.

Two recent developments, however, have changed this picture. First, Oracle’s Accelerate program enables smaller companies to implement preconfigured industry-specific EnterpriseOne solutions in a fraction of the time, at a fraction of the cost of conventional ERP deployments.

Second, IBM introduced new, aggressively priced entry-level models of the System i platform, the 515 and 525, in April 2007. This report focuses on the 515, which is aimed at organizations with fewer than 40 users. Lower long-term operating costs are combined with acquisition and startup costs that are competitive with those of Intel-based Windows servers equipped with Microsoft SQL Server.

This is illustrated by comparisons of configurations, staffing levels and costs for EnterpriseOne systems in three profile companies – a homebuilder, a manufacturer and a distributor – which are presented in this report. These companies employ from 50 to 150 people, and have between 15 and 35 system users.

Cost comparisons show the following results:

- **Startup costs**, including hardware and software acquisition, installation and setup, average \$22,039 for Windows server and \$22,661 for System i 515 platforms. For practical purposes, startup costs are the same.
- **Operating costs**, including hardware maintenance, software support, and personnel for system and database administration, show wider variances over a three-year period. Windows server costs average \$98,160, while System i 515 costs average \$51,822; i.e. 47 percent less.

Maintenance costs for Windows and System i 515 platforms are generally similar, while software support costs for the latter are marginally less. Full time equivalent (FTE) staffing for System i environments is, however, less than half that for Windows server equivalents. This is reflected in significantly lower personnel costs.

- **Overall costs**, including startup and three-year operating costs, average \$120,199 for Windows server and \$74,483 for System i platforms; i.e. System i 515 costs are 38 percent less.

These costs are for underlying server and database platforms and do not include costs of acquiring, implementing and supporting EnterpriseOne applications software. They highlight, however, the fact that the System i offers EnterpriseOne users the potential for significant cost savings over time.

Cost savings, however, is only part of the picture. Companies that have deployed EnterpriseOne on the System i report that it also offers superior levels of availability – meaning the ability to maintain high levels of uptime, often on a 24x7 basis – and of stability, security, and backup and recovery capability.

The combination of EnterpriseOne and the System i platform represents an opportunity for small business not only to acquire the functionality of an enterprise-class ERP system, but also to deliver the same quality of service to customers and partners as their larger competitors.

Additional Information

This ITG Executive Summary is based upon results and methodology contained in a Management Brief released by the International Technology Group.

For copies of this Management Brief, please email requests to info-itg@pacbell.net.



International Technology Group

4546 El Camino Real, Suite 230
Los Altos, California 94022-1069
Telephone: (650) 949-8410
Facsimile: (650) 949-8415
Email: info-itg@pacbell.net

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