

## UNIT4 SHARPENS ITS FOCUS, STRENGTHENS ITS VERTICAL SOLUTIONS

### INDUSTRY MESH, ACQUISITION & THE GREAT ACCELERATION

#### About Unit4

Unit4 is a global enterprise application solution provider headquartered in the Netherlands, operating in more than 20 countries.

- ✓ Founded in 1980
- ✓ 2,500+ employees
- ✓ Revenue: €400m
- ✓ Serving over 6,000 customers in over 100 countries

Unit4's cloud ERP supports organizations in the following industries:

- ✓ Professional Services
- ✓ Public Services
- ✓ Higher Education
- ✓ Not for Profit

"There are riches in niches."

Morgan Seigler, co-head of Europe Technology Group, TA Associates

*Unit4 has always focused on people-centric businesses. With an identified market of about €13 billion (~\$14.5 billion), it has never really been tempted to stray into product-centric industries like manufacturing. However, during its formative years, as it grew through acquisition, often this growth was more opportunistic rather than laser focused. But two plus years ago (April 2019) brought a new CEO, [Mike Ettling](#), who sharpened that focus. He came to Unit4 believing it had a unique product and an opportunity to be a global market leader for people-centric Enterprise Resource Planning (ERP) solutions in the midmarket. His big goal was and (still) is to bring Unit4 through a transformation from a collection of on-premises solutions to a single, focused cloud business for specific service-centric industries.*

*And Mr. Ettling is a man of action. His first steps involved divesting the company of some of those prior acquisitions. Anything that did not contribute directly to his vision of one focused cloud ERP business was a candidate, and in his first two years, he sold off nine of these. And two years into his tenure, he engineered a [sale of Unit4 to TA Associates](#), with the express purpose of accelerating roadmaps and making additional acquisitions to "round-off the Unit4 proposition." That proposition is to deliver fully integrated cloud ERP, Human Capital Management (HCM) and Financial Planning and Analysis (FP&A), on a unified architecture, with rapid deployment and industry-specific innovations right out-of-the-box. TA Associates shares this vertical vision. In the words of Morgan Seigler, co-head of TA's Europe Technology Group, "There are riches in niches."*

*These strategic business moves are important, but the real testament to Unit4's commitment to these goals lies in its product offering. Last March it launched [Unit4 ERPx](#), its next-generation cloud ERP solution for mid-market services organizations. While the functionality is based on the industry-specific solutions Unit4 has been developing for more than 40 years, what makes this new and exciting is the new architecture, the underlying, modern and flexible cloud platform. These are not baby steps, but a huge transformative leap, accelerating Unit4's journey to transform the "People Experience." The journey endures as Unit4 continues what it calls "the great acceleration," with more technology, more functionality and more M&A.*

## THE GREAT ACCELERATION

People-centric industries face unprecedented challenges today, forcing them to undertake rapid digital transformation. With the entrance of new business models, they face increasing competition, heightened client expectations, and increased regulatory requirements. They also face talent shortages amidst new hybrid working environments that are here to stay, forcing them to build and maintain customer relationships remotely. While many are quick to blame COVID-19, the reality is the global pandemic only accelerated change that was already underway.

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For many years, business leaders have been talking about digital transformation. Most companies understood this was a necessary exercise in order to survive and thrive in today's global, digital economy. Yet significant movement forward did not keep pace with the rate of change. Day-to-day operations just got in the way of taking those crucial first steps.

Most companies recognized they needed to move to the cloud, have a more complete, integrated, and agile solution, as well as a higher degree of connectivity to support evolving business models. And yet... unwilling to cause disruption to their businesses, they not only kept systems on premises, they often continued to "make do" with enterprise software solutions that were far from complete and modern.

But the global pandemic kicked change and disruption into overdrive and a sense of urgency replaced complacency. Fortunately for Unit4, its own strategic transformation began long before the pandemic.

### Unit4's Architectural Objectives

- ✓ Support the ability to adapt as business changes
- ✓ Enable automation at scale, including the incorporation of machine learning (ML)
- ✓ Provide a flexible, multi-model user experience (web, phone, digital assistant)
- ✓ Easy ingestion of 3<sup>rd</sup> party services and apps

### ERPx

Having deployed its first generation, single-tenant cloud solution (ERP-7) in 2017, Unit4 continued to invest in cloud solutions. It launched ERPx, a public multi-tenant cloud solution, on Microsoft Azure in early 2020. With ERPx, Unit4 made a giant architectural leap. ERP-7 was a tightly integrated monolithic structure. In order to achieve Unit4's architectural objectives, ERPx was built as a cloud native microservices-based architecture where features and functions are designed to be [loosely coupled](#).

For the reader with a technical background, a microservices architecture is defined (by Wikipedia) as an architectural style that structures an application as a collection of [loosely coupled](#) services. For those nontechnical readers, think of it as constructing a solution from a set of Lego building blocks.

Think about how you build a structure from Legos. Each Lego block is made of the same kind of material and is attached (connected) to the other Lego blocks the same way. In many ways they are interchangeable. But by choosing different colors and sizes, and connecting them with a different design, you

*Its next generation architecture provides a level of agility, configurability and extensibility to ERPx to help organizations respond to change.*

can make a structure that is very unique. And once constructed, if you want to change it, decoupling some of the blocks and replacing them doesn't destroy the parts that are not affected. There is far less disruption introduced than if you had constructed it with a hammer, timber and nails.

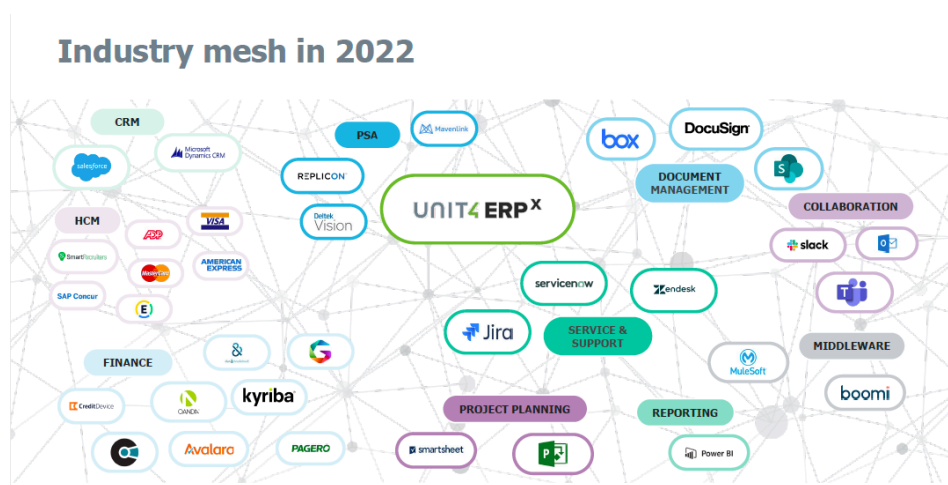
This next generation architecture provides a level of agility, configurability and extensibility to ERPx to help organizations respond to change. It also accelerates innovation by enabling developers to create software without the complexity of building and maintaining the infrastructure and services typically associated with developing an enterprise application.

In addition to the general availability of ERPx, in 2019-2020, Unit4 also initiated a portfolio rationalization program, divesting assets in order to focus on its core cloud ERP solution, while also continuing with some targeted M&A activity. This included the [acquisition of Intuo](#) to extend its HCM offering, specifically for service organizations.

### UNIT4 INDUSTRY MESH

Most recently, Unit4 has taken another leap. In November 2021, it announced Unit4 Industry Mesh, a new multi-tenant cloud service, part of the ERPx cloud platform, that delivers industry-specific ERP and packaged integrations for mid-market organizations. This is much more than your typical templated best practices or an integration toolkit that leaves the burden of development with the customer. Unit4 Industry Mesh does the work for you, delivering pre-built integrations. This is all delivered as a service, so when any of the connected applications are updated, so are the integrations.

Figure 1: The Unit4 Industry Mesh



Source: Unit4

Unit4's research indicates a typical company with 1,000 full time employees uses between 100 and 250 different software applications, ranging from personal productivity tools like Microsoft Outlook and Microsoft Teams to

*But there is also more than integration involved. There is also connectivity and content.*

enterprise applications like ERP, CRM and HCM, and everything in between. And with these applications comes the burden of connecting them. That same typical organization spends on the order €1 million (~\$1.13 million) on manual integrations.

But there is also more than integration involved. There is also connectivity – think Slack, Microsoft Outlook and Teams, and more. And there is content – think tax rates and rules that might be delivered with an application like Avalara, exchange rate data from Oanda, credit ratings from Dun & Bradstreet, etc. Unit4 Industry Mesh does indeed mesh these altogether seamlessly.

This is all delivered as a service, connecting people, processes and data with industry-fit models, data sets and data flows. Unit4 Industry Mesh will (first) be designed for service- and project-focused businesses, with optional support for IT and software consulting organizations. More industries will follow.

The first release in January 2022 will include 50 data flows, with hundreds more planned. The initial release of the Unit4 Industry Mesh includes general data flows with leading providers such as:

- **Salesforce** and **Microsoft Dynamics CRM** to capture cost of sales and support billing for finance users while providing invoice and reminder data for account executives
- **Oanda** for import and update of exchange rates
- **Dun & Bradstreet** for customer credit ratings
- **Data.gov** for U.S. government watch list checking
- **Slack** and **Microsoft Teams** for collaboration
- **Microsoft Outlook** integration that brings absences, training, and employee assignments automatically into user calendars
- Many other integrations including tax filing, e-invoicing, banking, document management and credit card transactions

### **NEW ACQUISITION: COMPRIGHT**

One more recent piece of news is indicative of the value and commitment of the investment from TA Associates. Also announced in November 2021 was the [acquisition of Compright](#), a comprehensive compensation planning solution with customers in over 40 countries. This acquisition is a perfect example of how Unit4 intends to round out its solution in its selected verticals. Compensation has always been critical to professional services organizations, but with today's current and predicted talent shortages, it becomes even more crucial. Unit4 will integrate Compright into its suite but also offer it as a stand-alone solution.

*The [acquisition of Compright](#), a comprehensive compensation planning solution is indicative of the value and commitment of the investment from TA Associates.*

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## PRODUCT VISION

None of these recent developments were selected randomly. Unit4's strategic vision is quite straight forward: **to deliver enterprise software for mid-sized people-centric firms, consisting of a comprehensive suite combining Financials, Projects, Procurement, HCM and FP&A on a unified architecture, with rapid deployment and industry-specific innovations right out-of-the-box.**

But it is the product vision behind this strategy that guides acquisition and development efforts. This product vision consists of three pillars (Figure 2).

**Figure 2: Unit4 Product Vision**



Source: Unit4

## RIGHT FOR YOUR BUSINESS

Delivering software that is “right for your business” gets back to our original premise of Unit4's focus. This focus is actually more granular than the general category of “people-centric businesses.” Unit4's cloud ERP supports organizations in the following industries:

- ✓ Professional Services
- ✓ Public Services
- ✓ Higher Education
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### PSO Functionality

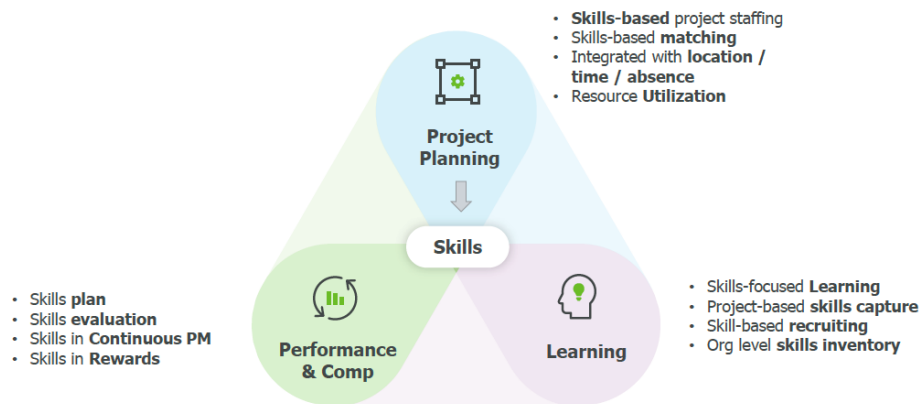
- ✓ Timesheet web app
- ✓ Global people planning
- ✓ Revenue recognition
- ✓ Project planning
- ✓ Project billing
- ✓ Subscriptions
- ✓ Sub-contracting

But what is required for each of these four types of organizations is quite different. In fact even within each one, there are subtleties that differentiate different sub verticals. Within the category of Professional Services Organizations (PSOs), the needs of firms specializing in Business and IT Services differ significantly from those in Architecture, Construction and Engineering. And neither have the same requirements as accounting firms. Yet Unit4's modern microservices architecture allows it to support all of these sub-verticals and their specific requirements without adding unnecessary

complexity. It is this component-based architecture that contributes to the tailor-ability, personalization, and extensibility of the solution – all without costly and invasive customizations that build barriers to innovation and lead to stagnation.

HCM plays a key role in people-centric organizations. And for this reason, Unit4 includes it in its suite of products, along with FP&A. However, the HCM component is tuned accordingly (Figure 3) and also led to the recent acquisition of compensation planning vendor Compright.

**Figure 3: HCM Tuned for Project-based Companies**

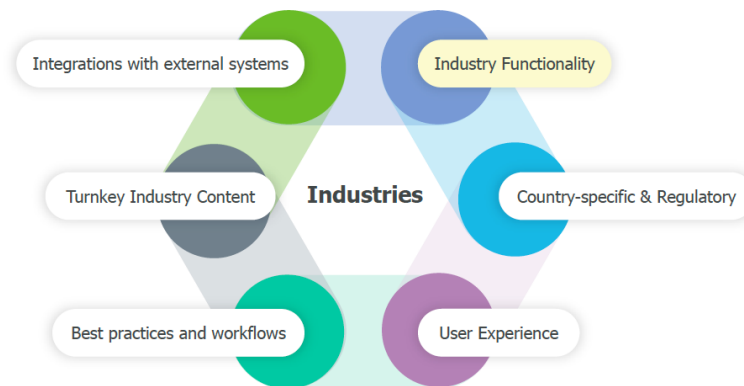


Source: Unit4

*While Unit4 is committed to providing industry-specific functionality, “right for your business” extends even further to include integrations with external systems, access to industry content, best practices, and workflows.*

While Unit4 is committed to providing industry-specific functionality, “right for your business” extends even further to include integrations with external systems, access to industry content, best practices, and workflows. And all these may differ from one country or region to another. And different industries have different expectations in terms of user interface and the entire user experience.

**Figure 4: “Right for Your Business” is More than Features and Functions**



Source: Unit4

### ECOSYSTEM AWARE

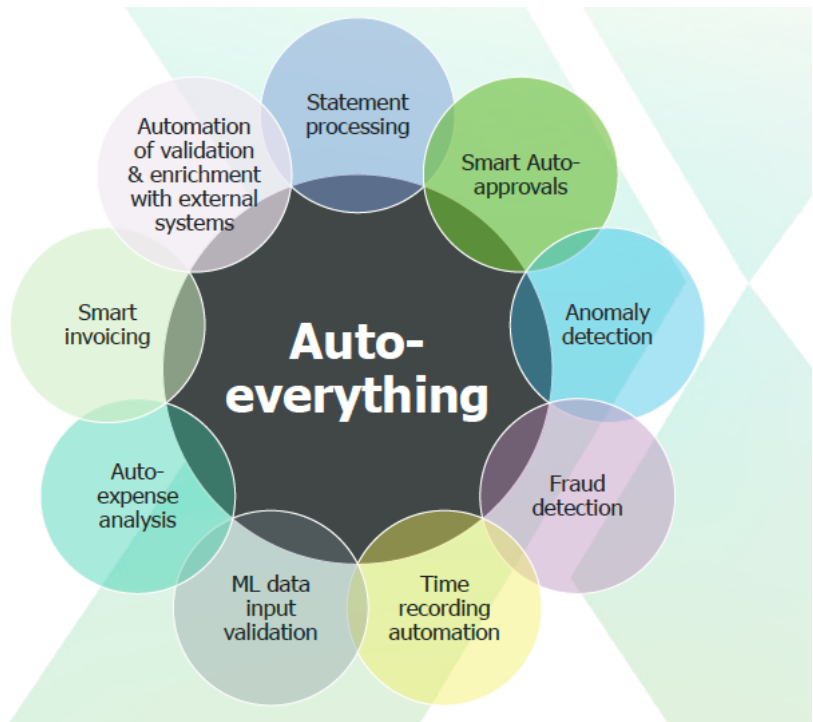
The introduction of Unit4 Industry Mesh is evidence of Unit4’s commitment to “playing nice” in the larger ecosystem of solution providers that address the needs of the people-centric industries it targets. All it takes is a quick look back at Figure 1 to recognize what a crowded field of players this is. It’s not just software vendors, but service providers as well.

### AUTO EVERYTHING

Automation is the key to creating efficiencies and improving productivity. And it goes hand in hand with the whole user experience of ERP. Unit4 envisions work being delivered to users in “10 second” interactions, self-composing instant apps that are delivered to users in several different ways, using a variety of different delivery mechanisms, including Slack, Microsoft Teams, Skype and Microsoft Outlook. These apps say to the user, “look into this,” “approve that,” “just thought you should know.” They will require a single, simple response that might be “spoken.” The same Natural Language Processing (Microsoft Luis) that is deployed in its digital assistant, Wanda, will be used in these “instant apps.”

These assistants provide fertile ground for further automation and the use of machine learning (ML) to automate more and more common tasks (Figure 5).

**Figure 5: ERP Provides Fertile Ground for Automation**



Source: Unit4

*Mr. Ettlting’s vision, and Unit4’s goal, is to deliver one focused cloud ERP for mid-sized people-centric firms, consisting of a comprehensive suite combining Financials, Projects, Procurement, HCM and FP&A on a unified architecture, with rapid deployment and industry-specific innovations right out-of-the-box.*

## KEY TAKEAWAYS AND RECOMMENDATIONS

Unit4 has always focused on people-centric businesses, but under the (still relatively new) leadership of Mike Ettlting, it has sharpened this focus. Mr. Ettlting’s vision, and Unit4’s goal, is to deliver one focused cloud ERP for mid-sized people-centric firms, consisting of a comprehensive suite combining Financials, Projects, Procurement, HCM and FP&A on a unified architecture, with rapid deployment and industry-specific innovations right out-of-the-box. Investment firm TA Associates shares this vision and fully supports both the divestiture of assets that don’t contribute directly to this vision, as well as acquisitions that do.

While Unit4 has been developing features and functions that support people-centric organizations for more than 40 years, the development of ERPx, introduces a new architecture with an underlying, modern, and flexible cloud platform. These are not baby steps, but a huge transformative leap, accelerating Unit4’s journey to transform the “People Experience.” As we start to see the world emerge from a period of unprecedented change resulting from a global pandemic, we look forward to watching Unit4’s “great acceleration” continue with more technology, more functionality and more M&A.

**About the author:** *Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 45 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 15+ years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras, specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*