

*ELIRE WHITEPAPER:*

# **KEY CONSIDERATIONS FOR OPTIMIZING YOUR ERP INVESTMENT**

The logo for elire, featuring the word "elire" in a black serif font with a red checkmark above the letter "i".

# INTRODUCTION

Companies want to make the most of their ERP software investments. It's a simple statement, almost obvious in its simplicity, but more relevant than ever in an age of hyper competition and automation. The introduction of the continuous delivery product lifecycle brought with it ever increasing opportunities to improve ERP functionality beyond what the typical in-house support team can customize or configure. Adapting to this new 'miniupgrade' paradigm is critical for the continued long-term success of any organization; however, many are not positioned to embrace the power of continuous enhancement with their current support model. Collaboration across both business and IT has been a refrain for years, but only with a transformed understanding of job roles and business needs will companies truly be able to harness the benefits of digital-age ERP. This white paper will highlight several important considerations that any enterprise should bear in mind as they evaluate their ERP investments and internal resources with an eye towards the future.



# THE VALUE OF STRATEGY

Whether a financial investment or an internal enterprise investment, the point stands: it is crucial to understand the cost, benefits, and potential of your software tools. The emergence of new solutions on the market, both comprehensive ERP and niche products, leads many executives to wonder if they should make changes to their software solution. The introduction of cloud-based solutions lends even more complexity into strategic decision-making, as IT leaders are asked to evaluate system functionality, infrastructure costs, and their entire support model at once.

Forward-thinking organizations should conduct a roadmap analysis to weigh the options for their ERP investments. It is impossible to be strategic about software investment if you don't understand the current state environment, future state goals, and the path to bridge the two. Roadmaps can be especially valuable when considering investing dollars into legacy ERP systems. If your executives' strategic goals include moving to a new solution in two years, optimization projects are much less likely to be valuable than if there's a longer timeline, or no plans at all. Understanding long term goals should be a crucial precursor to investing resources into solutions, infrastructure, or staff.

Software Fit/Gap assessments are crucial to cut through advertising and gossip and return to the basic questions an organization should be asking about any of their investments: What are the costs? What are the benefits? What are the risks? What is most important to me? When deciding between several cloud solution offerings, a national insurance client found it valuable to conduct a line-by-line assessment of several applications and how each met their needs. While every organization has different needs and business drivers and should make their investment decisions based on their own values, Elire has identified several common cost and benefit criteria which many of our clients consider when evaluating their ERP investments.

“KNOW WHAT YOU OWN, AND WHY OWN IT”

# THE TRUE COST OF OWNERSHIP

One of the primary factors in any corporate decision is cost. While a consideration of licensing costs is obvious, many organizations do not consider hidden costs of upgrading, maintaining, or changing their software investments. Best practice recommends taking a broader view of the costs to consider, both financial and organizational.

## HUMAN CAPITAL AND ORGANIZATIONAL IMPACTS

Human capital alignment is an often-overlooked area where hidden costs and roadblocks can emerge. The savvy executive or IT professional will want to ensure that their team's skills are aligned with the software they will be supporting, or that a robust support contract is in place if in-house skills don't exist. In one example, when moving to a new, cloud-based application, a utility client had to undergo costly retraining of IT support staff and functional Business Analysts as part of their implementation project in addition to bringing on consultants to teach technical skills. While change management is always a part of implementation projects, the client was unhappily surprised by the overall impact retraining staff had on the project cost.

Another consideration when looking to adopt new features for your ERP or implement a new software is the change impact those



features will have on your organization as a whole. There is a limit to the amount of change that both individual staff members and entire business units can absorb. For example, a professional services client engaged Elire to analyze their current state financial reports and chart of accounts structure. While it was possible to make immediate improvements in some areas by reworking reports, necessary changes to the underlying chart of accounts required working with the CFO, Controller, and Senior Vice Presidents to vet the recommendations, in-depth testing, and organization-wide communication blasts for months in advance of the changes. The organization as a whole simply could not absorb the change rapidly.

# THE TRUE COST OF OWNERSHIP

## INFRASTRUCTURE AND TECHNICAL COSTS

In addition to human capital alignment, enterprises should be serious about removing custom enhancements due to their outsize effect on the cyclical delivery model that has become more popular among major ERP solutions. Analyzing and retrofitting custom code can be time-consuming and arduous, and limits IT staff's abilities to balance production support with upgrade projects. A national senior-care organization client recently conducted an evaluation of their customized code base and ended up removing 80% of their modifications as they were obsolete or outclassed by newly delivered functionality.

Thoughtfully assessing enhancements and requiring a functional business case to retain customizations is an excellent way to build enterprise-wide understanding of the maintenance costs associated with retention. Some organizations choose to reduce their IT footprint and infrastructure costs by adopting a SaaS solution for their ERP. The decision to move entirely to the cloud or any similar SaaS model should not be taken lightly, as it can entail significant organizational change as well as a loss of control for IT. "Optimizing" cost in this way is certainly an option, especially with the emergence of IaaS offerings which allow a middle ground for organizations that wish to maintain some level of control over their application and environment.

A final cost consideration is environment strategy. While there is always a cost to spinning up and maintaining new environments, that cost should be balanced against new demands in a continuous delivery world. After working with clients of very different sizes, it has almost always been invaluable to have a dedicated sandbox environment for business and functional users to access, and additional development, test, and UAT environments for support. The additional cost of maintaining other environments has typically been balanced by the benefits: increased business and functional ownership in the ERP, buy-in to new feature delivery and testing, and a reduction in risk.

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# OPPORTUNITIES TO MAXIMIZE VALUE

The most significant value proposition of the continuous delivery model is the frequent introduction of new features, functions, and fixes for your existing ERP application. Application updates are now available every few weeks, where they used to require waiting several years for a new version to be released. There are now real, transformative opportunities to connect with your ERP developer and not only understand what is in their development pipeline, but shape their strategy through requests and interaction. Instead of customizing your application internally, there is a real chance to get features delivered and supported.

A national utility client was closely monitoring the development pipeline for their financial application and noted that an accessibility feature they used was slated for removal. They were able to immediately post a ticket to an application user group, generate hundreds of responses within hours by similar customers who used the feature, and negotiate resolution directly with the solution owner. Special Interest Groups for specific products or industries allow crowd-sourced intelligence and best practice sharing. Opening lines of communication

with your application developer or peers has never been easier, and is a crucial tool for organizations looking to make the most of their software investments.

An often-overlooked optimization strategy is making the most of what you have. Performing an analysis of delivered configuration can pay dividends if simplification can take place. For instance, a global financial services client was able to significantly reduce their time spent maintaining configured rules and workflows using better designed trees and consolidated sets.

In addition to maintenance items, organizations should reconsider underutilized functionality that exists in the current state. Even without adopting an update, many ERP suites offer functionality that is either overlooked or undervalued. A reevaluation of all the features available in your current-state ERP solution can yield positive results without requiring a costly reconfiguration or upgrade project. Configuration analysis can be a very fruitful activity for an enterprise that is serious about optimizing their ERP.

# OVERCOMING ROADBLOCKS

ERP optimization is not the sole responsibility of the IT department. Rather, it needs to fall within the scope of your organization's continuous improvement initiatives and demand the attention and resources of leaders and managers from within the business. Enterprise leaders need to clearly dictate how your ERP optimization project falls within your overall IT investment strategy.

They need to decide that continuous improvement is a goal for your organization and follow-through with dedicated resources who are empowered to take concrete steps to meet that goal.

Departmental managers need to communicate their needs to IT and take ownership for identifying, vetting, and testing features they are interested in. IT managers need to communicate their capacity and timelines for adopting changes and show that they understand the business impetus behind decisions to change configuration or adopt new functionality.

“THE SINGLE BIGGEST PROBLEM IN COMMUNICATION IS THE ILLUSION THAT IT HAS TAKEN PLACE.”

The best way to mitigate change impacts is to keep the business and IT in open contact. A cross functional team can help prioritize new features, identify what is required versus nice to have, and caution any changes that will be overly impactful. Joint review of new features has yielded success with many of our clients, as the improved awareness across departments fosters a more cohesive business strategy.

While many of the purported benefits of the continuous delivery product lifecycle come from the introduction of new features, the unspoken expectation is that organizations have both the technical skills and organizational agility to rapidly understand, test, and adopt new features in a much abbreviated timeline. Clear lines of communication and cross-functional collaboration are crucial to realizing the benefits of new features, and organizations with entrenched people or processes should be wary about the potential value estimates of a new ERP implementation or optimization project. Every new feature in the world is useless (and expensive) if your organization won't use it. Even beyond communication, organizations should look to hire business people with basic technical skills, and IT people with an understanding of the business processes they support.

# PLANNING AND EXECUTING AN OPTIMIZATION PROJECT

When deciding what types of optimization are right for your organization, it is crucial to consider the logistics of implementing the changes you're considering. Roadmap projects are an efficient way to understand what opportunities exist but offer little in terms of functional changes. Creating a continuous improvement team is a fantastic approach, but requires an organizational commitment to optimization, time and effort from the included resources, and maintained engagement with your ERP's development team. It is crucial to evaluate what resources are available within your organization and what your overall strategic goals are for your software investment. Under a continuous delivery model, accessing the full value of your software requires much more dedication than under the earlier major upgrade paradigm.

A GOAL  
WITHOUT A  
PLAN IS JUST  
A WISH.

The key to maximizing the long-term value of your ERP is building a strong foundation. Align IT and business leadership around the idea of dedicating resources to continuous improvement. Identify cross-functional staff who would be good stewards of your organization's trust and provision time and support for them. Teams need to meet regularly, stay current on ERP development news, and be empowered to prioritize changes across modules. Forming an advisory committee is much less impactful than forming a workgroup who can actually set scope for change adoption.

Before your continuous improvement team starts meeting, you may need to kick off a more traditional "big bang" project. This is especially important if your organization has fallen behind in adopting changes that have been released over the last several years. Often, there is enough scope to warrant a full-fledged upgrade project to get current. A global financial services client took a similar approach: they conducted a final "upgrade" project which consisted of a customization removal phase and adoption of the most recent release. Meanwhile, they created the organizational infrastructure for a more routine cadence for future updates. A final preparatory project to get current builds excitement and support among the business audience before rolling into a less visible continuous improvement pattern.

# COMMON SENSE DOESN'T MEAN COMMON PRACTICE

Many of the topics discussed here are likely familiar to the IT and business leaders who evaluate and maintain their ERP environments. Optimization projects can take many shapes and should be driven by the needs of your organization. Ensure your core configuration supports constant change. Make sure you are using what you already pay for. Adopt new features if there's a strong business case for including them in an upgrade. Communicate your overall ERP strategy and your individual decisions.

The goal is to foster a greater understanding of the costs and benefits the continuous delivery model balances, and to encourage business and IT professionals to think comprehensively about the relative risks and rewards inherent in these solutions. Beyond dollars, think of the costs to your human capital and the change impact of modifying a core financial system. When touting new features, consider how your employees will learn to use those features and how IT will support an ever more complex system. When discussing continuous delivery, discuss how a cross-functional team within your organization will continuously evaluate and prioritize what features or fixes will offer the most value or the most transformative power for your company. And when promoting communication, consider how to interconnect all levels and sides of your organization. ERP optimization should be enterprise optimization.





## STEPHEN KWIATKOWSKI

MANAGING CONSULTANT I

Mr. Kwiatkowski is a Consultant within Elire's Strategic Advisory Services Practice. Stephen's experience includes projects across industries including professional services, financial services, government, utility operations, and healthcare services. Areas of focus include business process mapping and analysis (both current state and future state), data-driven strategic analysis and decision making, business process improvement and redesign initiatives, Accounts Payable automation and optimization, and software implementation and optimization. He leverages technology, best practice research, and creative problem solving to bring evidence based and actionable solutions to clients.

## ELIRE INC.

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Elire is uniquely positioned in the marketplace as the only PeopleSoft and Cloud partner with both active practices, proven methodologies, and proprietary transformation accelerators including PeopleSoft to Cloud Data Conversion Accelerator and PS to Cloud DataSync for co-existence. Elire's 300+ clients span the public and private sectors, including niche expertise in Financial Services, Utilities, Government Laboratories, Healthcare, Education, and Professional Services.



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