Evaluating the **Digital Transformation ROI** from an ERP System

dwr
Amplify your success.

ORACLE
NETSUITE
Solution Partner

When the global pandemic forced shutdowns and changed the way we work, Australian businesses pivoted rapidly. Technology-driven solutions supported business continuity and remote work environments. Innovation to open up new online sales channels and deliver better customer experiences empowered companies to survive and thrive in the "new normal".

Worldwide, companies are using technology to transform and secure long-term business success. Global tech adoption is accelerating with IT spend projected to total USD $4.1 trillion in 2021, an increase of 8.4% from 2020, according to the latest forecast by Gartner, Inc. Additionally, enterprise software (including Enterprise Resource Planning or ERP software) is expected to see $517 billion spent in 2021 with $572 billion in 2022 - over 10% YOY increase for both years.

Australians are early adopters and avid users of technology. Australia is now ranked equal first for technological readiness alongside Singapore and Sweden, as cited in the Australian Government's Digital Innovation on the Rise report.

Those who have already started their digital transformation journey are ahead of the curve. For many, ERP technology is the priority on that journey. Whether about to begin or already on the path, it's critical to evaluate the digital transformation ROI from an ERP system.

What is digital transformation?

Digital transformation (DX) is the move from analog to digital processes. But it's also much more than that. A DX strategy aligns with business goals to fundamentally change a company's customer experience, business and operating processes, or culture. The development of that strategy will often include:

- The technology you use
- How and where data is stored
- Your business' operational processes
- The way you bring systems and employees together
- How your company adapts to market changes

The core aspects of digital transformation work to optimise processes and create efficiencies. Success depends upon integrating data and physical processes across the entire value chain. When planned and implemented correctly, digital transformation also holds significant benefits for your customers. For example, you can enable better customer experiences that increase loyalty and streamline internal processes, letting you serve customers more effectively.

> "A DX strategy aligns with business goals to fundamentally change a company's customer experience, business and operating processes, or culture."

How does an ERP system empower digital transformation?

When implemented correctly, a cloud-based ERP system isn't just another application in your technology stack. Instead, it's a foundation for your business that creates a framework of flexible digital processes.

Companies using multiple systems often end up with disjointed processes. For example, sales use one system and follow one process, finance follows another, customer service another, and so on. This process complexity becomes a roadblock when your company begins to scale its operations.

ERP provides one back-end platform that brings together all core business functions. Inventory, CRM, sales and marketing, project management, HR, and more are managed within one business application. Additionally, cloud ERP systems can connect seamlessly via API to any external system while still building one source of truth for all critical business data. See the DWR 90-second explainer video about ERP systems for further detail.

Even before the global pandemic hit, ERP implementations were widely considered the first step to digital transformation due to their ability to save time, boost productivity, and improve the customer experience. Many industries have since invested more into ERP systems and transformation initiatives that minimise the impact of ongoing socio-economic shifts and unexpected changes. The global cloud ERP market is expected to grow to $86.30 billion by 2027, registering a CAGR of 9.8% from 2020 to 2027, as per Allied Market Research. The market across Asia-Pacific is also seeing rapid adoption, with the fastest estimated CAGR of 12.3% throughout the forecast period.

Digital transformation relies on the integration of data and physical processes. An ERP system that centralises data and streamlines processes can empower faster, higher-output results. As a result, businesses adopting ERP systems as an integral part of their digital transformation journey are well-positioned to drive better business outcomes in the post-pandemic "new normal".

Evaluating digital transformation ROI from an ERP system

Evaluation of the expected vs actual ROI of an ERP system is critical when managing it as a digital transformation initiative. Here are some of the measurements to understand the effectiveness and ROI of ERP implementations.

Benchmark hard numbers

As business management guru Peter Drucker famously said, “If you can't measure it, you can't manage it.” The current state analysis gives you a baseline from which to measure the impact of digital transformation initiatives. When documenting the current state, include checked and verified data that analyses:

- Revenue and profitability
- Customer lifetime value (CLV)
- Employee experience and productivity metrics
- The cost of inadequate systems and processes used prior to transformation
- Customer experience metrics

Numbers can tell a compelling story and can be understood by everyone in the business. So start your transformation journey with a clear view of your current state metrics.

> "If you can't measure it, you can't manage it."
>
> \- Peter Drucker

Link measurements to business goals

When calculating the impact of digital transformation, prioritise and align your measurements with business goals driving the initiative. For example, if your priority is to increase CLV, focus on that aspect first. Analyse, improve, measure again, and only move on to the next priority once the current business goal has been met.

Measure strategic benefits

The strategic benefits of an ERP system can be less obvious than the hard numbers - but equally as important. Considerable ROI is gained by an ERP solution that enables you to:

- Improve speed-to-market of new products and services
- Make more informed strategic decisions with data-driven insights
- React faster to market changes
- Anticipate demand with greater accuracy
- Manage supply chain disruption more effectively

ERP solutions include excellent reporting and dashboard capabilities that will help you track and analyse operations. It pays to set up relevant reporting and tracking within an ERP as part of the overall digital transformation initiative.

Measure indirect benefits

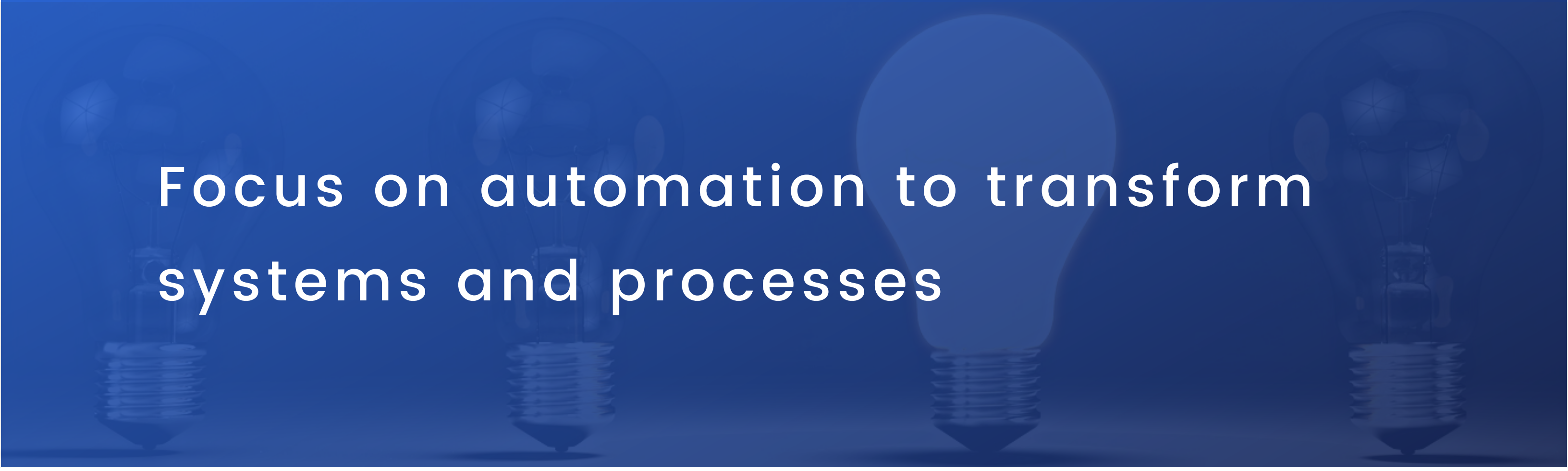
Digital transformation brings various indirect benefits, which aren't always as apparent as direct benefits. For example, are streamlined warehouse processes resulting in faster orders to customers that, in turn, increase customer retention rates? Are manual data entry reductions creating more time for employees to boost productivity in other areas?

ERP systems bring powerful tools to track metrics across all core business operations. Think about all the indirect benefits of achieving the business goal you identified as the primary driver for digital transformation. Measure, track, and report on the ROI gained from all outcomes of the initiative to understand the full impact.

Know your employee engagement

An area often overlooked during digital transformation is employee engagement. To get a true sense of how an ERP system delivers ROI, you need to know and measure employee engagement.

Once implemented, look at how many staff are successfully using the ERP system. Has the system replaced or integrated all other legacy systems and data? With higher adoption comes more opportunity to streamline and automate processes across the business.



Focus on automation to transform systems and processes

Disconnected systems and manual processes can slow things down and become a high cost to the business. When activity ramps up, bottlenecks become more prominent and quickly limit your capacity to scale.

By leveraging data from across the business, ERP can automate end-to-end processes. Think about the manual, repetitive tasks your team is doing every day. Which of those tasks need human intervention? Consider the Pareto principle (the 80/20 rule), of which 80% of operational tasks are only generating 20% of your outcomes? These are the tasks to automate.

ERP can automate everything from holding min and max stock levels to accounts payable and receivable automation. Key areas of automation that drive ROI include:

Sales automation

A single ERP application can now automate sales processes from opportunity, quote management, sales forecasting, order management, fulfilment, and sales commission management.

As a result, there's no double-handling of data between sales, finance, warehouse, and other business areas, which reduces the time and cost involved in generating revenue.

Marketing automation

Email, direct mail, events and multi-channel campaigns can be managed, tracked and analysed in a single application.

With the ability to measure performance in real-time, you can continuously fine-tune campaigns and maximise ROI.

Finance automation

ERP systems can automate AP, AR, reconciliation, spend and expense management processes to provide rapid ROI upon implementation.

NetSuite was the first cloud ERP platform to integrate fintech into a unified suite with its SuiteBanking solution. SuiteBanking helps customers improve forecasting and make more strategic cash decisions by automating critical financial processes and providing complete visibility into cash flow.

Inventory management automation

With cloud ERP systems, real-time demand planning and forecasting let you automatically estimate stock requirements with far greater accuracy.

With better forecasting, you can reduce wastage and increase stock turn to boost warehouse profitability. You can also set automatic minimum and maximum stock reorder levels to keep your inventory at optimum levels consistently.

Customer service automation

ERP can speed up customer service case management by automating case assignments and escalations. Customers can also resolve common issues using self-service portals and searchable knowledge bases. The less time your team needs to spend answering simple, repetitive queries, the more time they'll have to work on strategic initiatives.

Maximise the value from your digital transformation

Various factors go into the ROI of digital transformation. The key is to measure baseline figures, track costs and timeframes for each transformation activity, and document the outcomes compared to expectations.

Plan and document how using ERP as part of your digital transformation will align with business goals. Gather the necessary business requirements to understand and estimate the time needed to transform your processes and operations.

If time and cost estimates exceed expectations, it can be challenging to prove the success of an initiative. However, you can ensure a smooth implementation that demonstrates ROI by planning correctly and setting realistic expectations.

> "You can ensure a smooth implementation that demonstrates ROI by planning correctly and setting realistic expectations."

Working with the right technology partner is just as important as having a well-planned digital transformation strategy in place.

DWR delivers the tools to amplify success; by bringing the right ERP technology, process framework, and team of business experts together. The team has executed 250+ projects with a reputation of delivering on time and to budget. The cloud ERP experts form lasting relationships with their customers, consistently looking for ways to add value to new and existing implementations.

Use technology to gain lasting competitive advantage

ERP software is one type of technology that is helping businesses of every size to:

- Empower distributed workforces with secure, role-based access to all core business information.
- Work with consistent company-wide processes.
- Track all critical business metrics with live dashboard views and automated reporting.

A cloud ERP system enables rapid scalability, makes your entire workforce mobile, and brings powerful automation to transform your operations.

An experienced ERP implementation partner will tailor a solution to your needs and focus on the outcomes, not just implement the software.

This type of technology partnership is long-term and will continue providing value well into the future.

Talk to an ERP expert at DWR about your unique challenges and ideal business operations. They'll give you the advice and ideas you need to grow your business faster in the new normal.

HIGHEST GROWTH PARTNER - ANZ 2019 ★★★★★

Head office address: 1/110 Myrtle St Chippendale NSW

Contact: 02 9018 4611
info@dwr.com.au
www.dwr.com.au

Take the next step to leap ahead.