Maximizing ROI In Your ERP-Fueled Business Transformation

Trying to replicate your current processes with new technology won't get you to your goals. The evidence clearly shows that modern business management must include a focus on business process improvement (BPI) to have the maximum impact on sustainable growth and competitive advantage in the marketplace. This focus on BPI is especially effective for mid-market companies when facilitated through an ERP system, allowing for maximum visibility on everything from machine wear-and-tear to employee production, availability of parts to the sales cycle.

Running BPI initiatives through a new ERP system is most successful as part of a complete business transformation project, where every process and system within the business is analyzed and optimized. Making all of this happen starts with making a business case for change and then investing resources to deliver success.

That success is measured in Return on Investment (ROI), and this resource serves to inform you about the many ways ROI can be realized from a business transformation project, with areas to focus on in order for your company to achieve its transformation goals.

What's inside.

Genesis of a Business Transformation

The U.S. economy continues along its various cycles, from recession through growth, and manufacturers must weather the changes and uncertainty during both upswings and downturns. The challenge to keep pace with an increase in both demand and cost pressures causes significant changes in a company's business dynamics, and these changes drive many executives to evaluate their overall go-to-market strategy as well as their internal operational efficiencies.

The current state of the economy notwithstanding, businesses must become more efficient within their internal operations, focusing on maximizing revenue streams and profitability across their market domain. To accomplish this goal, they turn to business transformation initiatives, through modern technology, to drive efficiency in operations, streamline data workflows and manage Sales and Operations Planning (S&OP).

> **"Our clients typically realize accelerated paybacks of less than 12 months for ERP and business transformation projects."**

Cause for Short Time-to-Value (TTV)

In projects with the shortest time-to-value, benefits are quantified and road-mapped to ensure everyone understands what is expected, where value will come from, when it's expected, who is responsible and accountable and the realistic activities for how to deliver it.

Business Case for Change

All transformations require investment. Many companies intuitively know some form of transformation is the right thing to do, but they often fall short of setting and meeting expectations. A crucial missing piece? A solid business case for change.

In any investment, a proper business case analysis should be conducted to ensure the investment scope is well defined and budgeted correctly, with expectations clearly aligned to the company objectives. Equally important is to calculate the investment's acceptable payback period and a return on investment (ROI), ensuring accountability in delivering the expected results.

Business Transformation Deliverables

- Provides confidence and credibility to project
- Ensures investments are:
    - well-defined
    - appropriately funded
    - directly aligned to the company's strategic objectives
    - poised to deliver the established expectations
- Clearly defines benefits
- Assigns milestone expectations and responsibilities to ensure the project has the required accountability to get done with speed and success
    - Team members
    - Executives
    - Vendor solution providers

Major Areas to Realize ROI

Obviously, every company is different, and quantifying the amount of return a company can expect in their transformation will depend on a number of factors. However, across the domain of a business, many manufacturing and distribution companies will find the following categories rich with opportunity.

These categories are offered as thought starters to begin your investigation on benefits can be found and how to begin quantifying them. Later, we'll cover the investment areas you must consider in order to truly quantify and realize these benefits. Some of the key process area categories that can deliver significant payback through an ERP-enabled business transformation include:

Inventory Management

By having better visibility to the sales demand and project forecasts, inventory can be better managed and carrying costs significantly reduced. Additionally, visibility to slow moving or dead inventory can be quickly identified and dealt with.

Supply Chain Management

With improved inventory management, the entire supply chain can be better managed to drive down logistics costs, manage supplier/vendor performance and lead times, and better support the procurement activities to drive strategic sourcing and robust vendor negotiations.

Product Development

Through Product Lifecycle Management (PLM), executives can better understand product demand and manage investments throughout the entire product lineup, including investments in R&D as well as in the sun-setting of products/services that are no longer driving the expected margin performance.

Sales Management

Customer Relationship Management (CRM) and sales performance analysis offer substantial revenue opportunities through better understanding of customer buying patterns, demographic information, sales activity performance and better competitive positioning. Knowing how your sales team is selling and how your customers are buying (or not) enables better positioning to meet customer interests and demands as well as to identify or expand into new or existing accounts.

Pricing and Margin Management

Robust pricing tools add enhanced visibility to margin/profit analysis which drives improved competitive positioning in the domain of Product Lifecycle Management (PLM). A comprehensive PLM analysis can drive changes in a company's overall portfolio of products/services to take full advantage of the 80/20 rule and drive higher profitability.

Forecasting

With robust Sales & Operations Planning (S&OP) processes and information, companies can better their position for satisfying market demands and increase confidence in decision making. These improvements can occur in response to emerging trends, along with increasing speed to proactively plan for changing sales demands, economic trends, production/resource capacity and supplier performance capability.

Production Management

Production management offers the opportunity to conduct detailed analysis of production bottlenecks, routing times and material movement, workforce utilization, plant and equipment utilization improvements, maintenance scheduling and machine uptime. Plus, improvements in this area can yield better capacity planning and a better understanding of factors for prioritizing and satisfying customer demands.

Quality Management

With quality management, value is delivered through greater visibility into the performance of products and services. Enhancements are achieved with an increased understanding of RMA root cause analysis and rework activities as well as improved analysis of supplier incoming quality of raw materials, supplied component products and third-party services.

Employee Retention

Modern ERP solutions provide streamlined information management capabilities to alleviate the headaches of manual data entry and the frustrations of constantly hunting for information. With ERP and automated workflow management, ad-hoc report analysis and easy access to the sources of information, employees will begin to see better ways to manage their responsibilities, be more empowered to make decisions and handle their day-to-day activities with far less stress. Systems and processes that free people to elevate their value-add have a positive and lasting impact on employee morale.

Financial Management

Substantial benefits are obtained through increased confidence in financial analysis and decisions, speed to obtain and process information, speed to close the books in the period end activities, and efficiencies due to the overall reduction/elimination of spreadsheets that manage information outside the system.

Warehousing Management

Speed and accuracy is greatly improved through managed receiving/put-away activities, bar coding, cycle counting and routing efficiencies.

E-Commerce Extensions

Opening up direct-to-consumer selling channels and consolidating the supply chain drives significant competitive advantage and cost savings. Robust e-commerce capability drives higher customer satisfaction, repeat buying power, and higher margins for the long-term. Retooling the warehouse to support efficient pick-pack-ship operations and improved sophistication on supply chain forecasting are key to taking advantage of e-commerce capabilities.

Investment Considerations

To achieve full ROI potential, your company must invest in the three primary areas: Process, Technology and People.

Process

Assess Current State; Visualize Future State

You can't know where you're going without knowing where you're at. Perform a complete business process analysis for both Current State and Future State. This planning is crucial for ensuring clear understanding of expectations, solid vendor contracts and team commitment. This also affects Organizational Advancement & Design (OAD) and change management activities.

Your company may choose to take on this task itself, but professional guidance from an experienced consulting firm can lead you through these activities. Depending on the size and scope of the overall business, this phase of the project can take several weeks to complete. Hiring an independent consulting partner who understands your industry with a proven methodology can help ensure you're not moving current inefficient processes over to your new ERP technology.

Information Technology

Investments in information technology are key to ensuring a robust information platform is in place to support the future state strategy.

Investments include:
- Network and data-center infrastructure
- E-commerce capability and external technology services
- ERP software
- Computing hardware
- Workforce mobility devices
- Technology implementation services
- Ongoing support services
- Annual maintenance

Hiring an independent consulting firm who has experience across the ERP and technology landscape can ensure your investments deliver on the overall transformation roadmap.

Plant-Level Technology

Adding automation capabilities within the plants and warehousing facilities adds significant benefits in speed and accuracy to push the future state transformation forward. Expanding this throughout your logistics operation will take these benefits to a whole new level of performance, with increased product/service quality and improved customer satisfaction.

Investments include:
- Connections from the plant/warehouse to the information system
- BoM Routings
- Barcode labels and wireless scanners
- Handheld devices and tablets
- GPS locators

People

Managing change is crucial in getting everyone on board and transitioning into the realities of the future state. But it is difficult to make those changes stick in the long term. The changes must be promoted within the company culture, so your people embrace ongoing continuous improvement methods.

Many companies require experienced consulting services to adequately meet these challenges. Leading your company in managing change through organizational advancement techniques and design structures should include these critical deliverables.

Investments include:
- Strategic hiring and placements
- Communications plans and strategies
- Organization design and mapping
- Responsibility matrices
- Headcount planning
- Job descriptions
- Competency requirements
- Training programs
- Readiness assessments

> "Organizational Advancement and Design (OAD) structures along with change management techniques provide an overarching environment for an effective transformation strategy."

Transformation Structures

These major elements are key to ultimately drive speed and success in the anticipated transformation. Because the 'People' investment considerations mentioned above are so vitally important to securing a successful transformation, let's dive in a bit deeper and discuss the team structures as shown in the following illustration.
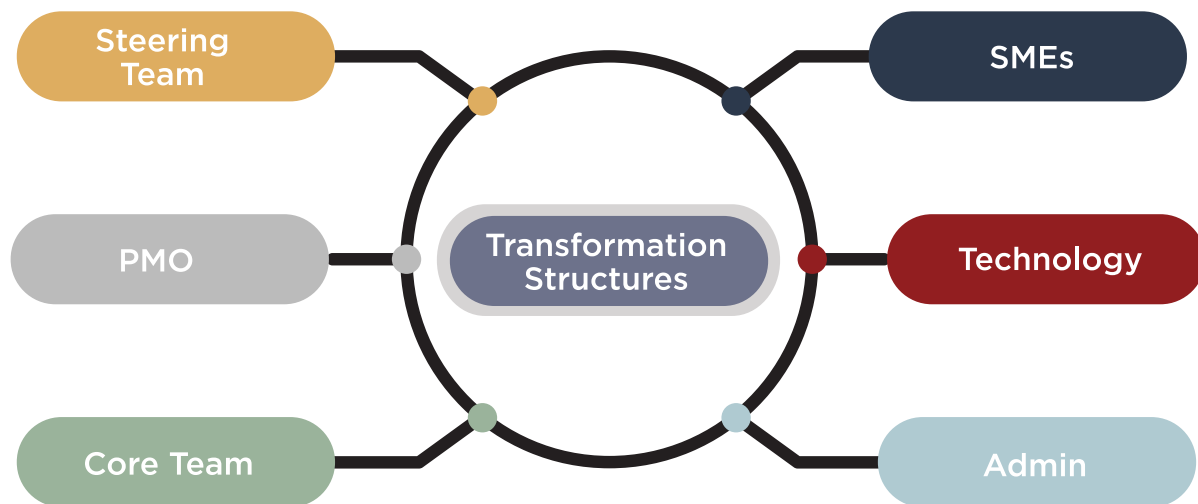
Executive/Steering Team

This team is composed of key executives who make sure that the overall Project Team (core team, SME's, vendors, etc.) have what they need to be successful. This team empowers the Project Team, removes roadblocks, approves key decisions and serves as a point of escalation for issue resolution. On a regular basis, these executives have a responsibility to instill confidence and promote change throughout the organization.

Program/Project Management Office (PMO)

This team is responsible for the successful execution of the project and is led by the Project Manager. The PMO is composed of key people who collaborate to manage risks throughout the course of the project and resolve major issues with the core team.

They are responsible for leading all aspects of the project, including the project schedule, deliverables, milestones, budget, resource requirements and escalation paths. This team is held accountable by the Executive/Steering Team and is ultimately responsible for delivering the success of the project, according to the Business Case for Change, Project Charter and Transformation Roadmap.

Cross-Functional Core Team

Members of this team are well-respected and knowledgeable individuals who understand the cross-functional perspectives of the business. Collectively, this team is able to represent the respective functions of the business and knows which subject matter experts (SMEs) to engage for more detailed discovery, discussions, confirmation, and decisions.

Subject Matter Experts (SMEs)

SMEs are knowledgeable individuals at the operational execution level who participate within the initiative as needed to support the core team members in representing the process or participating in discussions or decisions as required. These people are typically brought into various discussions or demonstrations on an ad-hoc basis to support the team's progress.

Technology Team

Regardless of whether a company chooses to deploy the technology on premise, in a hosted environment or cloud model, the following services must be provided to ensure that technology doesn't prompt a bottleneck or stumbling block to the overall efforts. Whether handled by your in-house IT department or working with an experienced consulting partner, you will need to ensure your company has adequate technical services and resources to provide the technical support required within the initiative.

Ensuring systems are scaled appropriately, have adequate disaster recovery capabilities, and robust connectivity are obvious necessities. Additionally, this team will provide multiple technology instances or environments to support the initiative, including: system configuration and testing environments, end-user training instances, static and dynamic data migration environments and, ultimately, the production environment to support the business upon the eventual go-live. Additional responsibilities include database management, creation of application interfaces, system security management, document

management administration, general system administration, and patch management and upgrades, all of which fall within the scope of necessary services.

Project Administration

This person supports all teams and sits within the Project Management Office (PMO). Primary responsibilities include scheduling internal resources and setting up meetings according to the project schedule and needs of the team. This role is vitally important to ensure team meetings are timely and the right individuals are in attendance. Additionally, this person ensures decisions and outcomes are appropriately documented, issues are captured clearly, assignments are distributed, and information is properly organized for easy reference, access, and collaboration. Oftentimes, this role will include the responsibility of executing the communication plan to ensure the initiative is being promoted effectively and the entire organization is informed along the way.

An Independent Partner

Throughout the course of a business transformation initiative, it is important to understand the motivating factors of the various teams and vendors that will be involved. Partnering with an independent consulting firm who has earned your trust provides a high degree of objectivity and perspective that ensures all parties are properly motivated and accountable for the expected results.

An independent consulting partner provides the necessary experience of successfully completing hundreds of projects similar to yours. They provide the experienced view of progress against expectations, risk visibility, and issue resolution. They also provide an unbiased perspective on who is performing to expectation and what changes should be considered to further the progress. A truly independent consulting firm brings a broad scope of experiences working with multiple vendor platforms/solutions and has a proven track-record of success in delivering across a variety of businesses in your vertical and across multiple other verticals.

Ensuring a comprehensive vetting of vendors with solutions directly aligned to your business is an obvious value-add that an independent consultant brings to the selection process. Negotiating the vendor contracts also provides substantial value and, if done properly, will deliver 300% ROI or more for the cost of your consultants' services within the first year. What may not be so obvious is the value an independent firm brings in holding all parties accountable.

Value: An Independent Partner Driving the Project

In addition to the items listed above, there are some other key factors to consider. Positioning an independent consulting partner ensures the technology vendor is held accountable to deliver the expectations within the scope of what was purchased. It is

important to understand that technology vendors are obviously in business to sell software and professional services. Their sales executives are measured on accounts sold and revenue generated.

The vendor's Account Manager/Executive responsible for the professional services is measured on getting you live on the software on time and on budget. They are also incentivized to generate additional revenue in the form of add-on functionality, customized software modules, and specific training or other activities as they see necessary.

Engaging a trusted independent consulting firm ensures any change order to the original scope of services is scrutinized and held to account. In the event a change order is deemed necessary, the independent consulting firm conducts the negotiation of costs and timing, provides the cost/benefit justification, ensures the deliverables are clearly scoped, and manages the vendor to deliver accordingly.

With any complex initiative, core team members will be investing long hours and surely experiencing the challenges and stresses of the myriad of issues, risks, and people dynamics as the project progresses. An independent firm provides the experience and necessary coaching while being attuned to the people dynamics across all aspects of the project. Communication strategies and plans must be appropriately implemented to ensure everyone across the company is on board with anticipation, understands the project scope, believes in the value opportunity, and is embracing the upcoming change.

Team members need to be empowered by the executive staff. They need to see and hear executive commitment and trust the leadership can transform the business to the next level. Recognition for successfully completing the milestone deliverables is key and an appropriate system of rewards and incentives should also be considered.

Conclusion

Ensuring a successful business transformation project is dependent on much more than revamping specific processes or choosing the ERP software. Success requires planning from the very beginning through your business case for change, and it's dependent on the strength of your team, your knowledge of the field and your willingness to accept long-term change.

Partnering with an experienced independent consulting firm, coupled with proper execution and support from your team, will bring you confidence that your business transformation initiative and technology implementation will deliver the full Return on Investment (ROI) expectations and will better position your business for long-term success.

About Ultra Consultants

At Ultra Consultants we've helped hundreds of manufacturing and distribution companies like yours discover the best possible enterprise software solutions—and we stick around to ensure that your expected gains in profitability are realized, too. With Ultra on your side, you're empowered to gain the tools you need to drive efficiencies that increase your bottom line.

For more information and additional resources on how to bring our expertise right to your doorstep, visit us at ultraconsultants.com.

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