

Sage ERP X3 White Paper

Beyond ROI: Creating Long Term Value Through ERP

by Paul Sita, Ph.D., President, Innovative IT Consulting

Small and medium-sized companies face significant challenges in implementing company-wide or enterprise-wide solutions. These challenges arise from the scarcity of resources – money, time and people and expertise. And yet the business imperative to implement truly effective systems is even greater, since the technology gap between large and small companies is widening.

In response to these challenges, the prevalent thinking among business owners and management is to push ERP vendors to produce ROI measures, most frequently citing statistics such as reduced inventory and inventory carrying costs, reduction in days sales outstanding, or reduced order cycle times.

This thinking misses the mark. Not that those metrics aren't important. It's just that smaller companies need to think "beyond ROI," to the strategic long term value that ERP can deliver.

What is "Beyond ROI"?

Beyond ROI refers to measures, attributes and qualities of pace setting organisations that lead to long term success and increased business valuation.

Beyond ROI means creating a flexible platform and environment for change and growth.

Beyond ROI means continuous improvement and streamlining of business processes over time.


Beyond ROI refers to being a "smart enterprise."

Beyond ROI means looking at implementing ERP not as a project, but as a process of integrating information into business management with implementation being the first milestone on that roadmap.

Beyond ROI means that the proverbial "go-live date" represents not the end-point, but the start-point, the beginning of a transition to spending more time on value-added activities and less time on repetitive transaction oriented activities. The most successful organisations focus on increasing value-added activities over time, and reducing or outsourcing non value-added and transactional activities. The best ERP solutions provide capabilities that support this model.

How do you get beyond ROI?

An integrated ERP system is a fundamental business structure, as much a foundation for your future as a modern plant or equipment.



Smaller companies need to think "beyond ROI" to the strategic long term value that ERP can deliver.

It represents a long term part of your company infrastructure – acting as a catalyst for and a platform to support change. Follow these five guidelines:

1. Look for a fully integrated ERP solution. Best-of-breed software applications are dead. Only a fully, and truly integrated set of applications from front-end contact management, to back-end financial analytics and business intelligence tools can enable smaller companies to focus on decision-making and doing business rather than focusing on the IT infrastructure required to keep disparate applications running and communicating.
2. Look for advanced capabilities. Smart enterprises quickly move beyond processing transactions to metrics, to business intelligence to actionable data and workflow. Look for an ERP system that supports these capabilities so that your human capital has tools to use as their knowledge and sophistication expands.
3. Look for flexibility and configurability. Second and third generation ERP Systems are highly configurable. While this adds a layer of complexity to the implementation, it provides investment protection and flexibility to adapt to new business situations. Change is the norm in business today. Don't underestimate the value of a flexible system.
4. Look for a process oriented system. Successful businesses are based on sound business processes. The best systems are process oriented, not oriented toward discrete tasks. A process oriented system will help your processes evolve naturally over time.

5. Insist on web-ready capabilities. Don't accept vendor's claims that terminal services and Citrix are a substitute for web-ready capabilities. These are complex applications that require care, feeding and administration. Spending time and money on back end infrastructure adds no value to an organisation and takes away precious resources from strategic initiatives. Web-ready applications are the future, and the future is now!

The most successful businesses adopt a vision that incorporates capabilities, attributes and long term measures of business value such as:

- Quality of service
- Degree of customer intimacy and knowledge
- Supplier accountability and integration
- Smarter planning
- Proactive business environment
- Tighter integration between front and back office
- Reduction of manual and paper-based efforts

Moving beyond ROI to getting long term value from ERP doesn't have to cost more or be more difficult. Start with a vision of what is possible. Make the right choices of platform and partners, back them up with a long term commitment and you're well on your way.

Paul Sita is president of Innovative IT Consulting (www.innovativeitc.com), an information technology consulting firm based in Dix Hills, NY. Paul can be reached at (631) 549-1685 or by e-mail at psita@innovativeitc.com.

