

Is Your ERP System Killing Your Business?

an eprentise white paper



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Today's enterprises are plagued with problems related to making decisions whether to utilize resources to maintain existing IT environments or to initiate change programs that can transform existing systems into new optimized enterprise resource planning (ERP) systems that more adequately support the businesses. Innovation often takes a back seat to maintaining the status quo, a detrimental trade-off that hinders the performance and growth of many companies. Disconnects between different functional areas and different management levels of a company are the culprit, but the following problems can be analyzed more granularly and tackled collaboratively in order to reach solutions that address, quantify, and resolve many of the flagship hurdles holding back business.

- The business is based on aging systems that are disparate throughout different areas of the organization. These systems can include legacy systems, but can also include early implementations of ERP applications.
- The cost to support and maintain current systems is difficult to quantify and rises faster than reductions can offset them.
- The existing systems do not integrate well with other business systems and are not agile as the business changes. Financial consolidation is error-prone and requires hundreds, if not thousands, of spreadsheets.
- Departments such as inventory and manufacturing have little control over IT, especially priorities and standards.
- It is easier to maintain operations and have contractors build fixes on top of other fixes than it is to change the mindset required to go to new systems or change the existing ones.
- The lack of common enterprise standards prohibits the ability to easily share data and information across different areas of the business.
- Separate business localizations make independent changes that negatively impact the global functioning of the company.
- Different departments tackle problems on their own, rather than working together to find a solution that fits everyone's needs.
- Early systems, even early ERP applications, were limited both by available technologies and the understanding of how a global business could operate. Many "new" systems looked and functioned just like predecessor legacy systems.

CIOs are tasked with the responsibility of making IT work for the entire business, but they are too frequently not provided with the necessary information and resources to build a system from the ground up that considers and addresses the needs of all factions of the organization. CIOs must have critical managerial input from all corners of the business in order to develop the IT blueprint on which the company will function. The following guidelines can help ensure the development and deployment of consistent information systems that are considerate to both individual areas of the business as well as to the organization as a whole.

- Develop a standards committee that consists of the CIO and VPs from all departments of the business. For multinational corporations, a parent committee is also necessary. The CIO is responsible for developing relationships with the VPs that enable the flow of information and knowledge transfer from many departments. A significant portion of the CIO's and participating VP's bonuses should be tied to the successful implementation and ongoing utilization of the standards committee. Actions to be taken include:

1. *Creating naming standards and formatting standards for all systems across the enterprise. For example, all descriptions should be the same field length, telephone numbers should all be in the same format (for example, countrycode.areacode.number.extension), punctuation should be eliminated, and abbreviations should be standardized.*
 2. *Standard codings, terminology, and classifications for crucial shared entities (accounts, projects, etc.) need to be developed, adopted, and put into common use.*
 3. *Time-tagging data items can prove useful in informing users how up-to-date they are.*
 4. *Educating new users of an application (and educating current users of a changing application) on the meaning and timeliness of the information they will be obtaining through that application is an essential component of maintaining the integrity of enterprise data.*
- Establish a data model for the enterprise. In order to be agile, an enterprise ecosystem – the architecture, the metadata, the data, and the business processes – needs to be independently sustainable and scalable, resulting in a single source of truth with clear governance and stewardship of the data. The architecture should begin with standard artifacts covering the information infrastructure and technology standards. The metadata should start with a single enterprise data model with different subsystems reflecting inter-related subsets of the model and the relationships among those subsets so that the source of each data element is clearly delineated and each of the business processes defines the creation and use of different data components. To ensure consistency, elements of the enterprise data model must be shared among those subsystems and built from the top down. Likewise, the process model begins with an enterprise process decomposition with supporting data flows and work flows showing the interactions among the processes. Analyzing the process model should show that the processes cover all phases of each resource's life cycle. Correctness of the models includes checking to see that the representation of the metadata, the data, or the process means the same thing everywhere it is used.
 - Replace billable hours of external contractors with a focus on internal resources, out-of-the-box, best-of-breed solutions, and third-party software tools. Problem-solving with external resources often necessitates an inefficient brute-force approach to the problem, and the result is commonly a fix or band-aid rather than an encompassing solution for the source of the problem. Using software tools that are specifically designed to accomplish a goal (such as a reorganization or consolidation) reduces project time, reduces the likelihood of producing an error, and increases efficiency by keeping the knowledge base within the company's internal resources.
 - Innovate through revisiting procurement policies and processes. In Oracle E-Business Suite, companies often set up hundreds of operating units during their initial ERP installation due primarily to security and control issues. Each operating unit has its own freight carriers, matching tolerances, approval hierarchies, supplier terms, and contracts. With a multitude of operating units, it is difficult to determine how much business is conducted with a particular supplier, difficult to determine the enterprise cost of managing and maintaining different supplier relationships, and difficult to determine the burdened costs of different inventories. Within a multi-org environment, much of the data must be set up by operating unit. While there are some advantages to having a multi-org environment, especially in regard to security, there are limitations that prevent obtaining an enterprise view of the data, especially the ability to leverage supplier relationships. By consolidating operating units to provide an enterprise view of the data, an organization may be able to reduce the number of suppliers or negotiate with current suppliers to obtain larger discounts and change payment terms – each of which contributes major amounts of money to the bottom line.

In Sum

The first part of any information management effort should be to ascertain the owner and original source of each type of data in an information flow. Only this “single source of truth” should be accessed for that data by all the other organizations in the system. It is also important to pay attention to the management of metadata and master data to improve transparency into the lineage and quality of data. Organizations need to consolidate systems that provide data for similar business processes, identifying and resolving duplicate and incomplete data so that data is entered and updated consistently in only one place. Following this and the advice listed above, companies will find that their ERP systems will help – not hinder – their operational performance and growth potential.

Curious?

For more information, please call **eprentise** at **1.888.943.5363** or visit **www.eprentise.com**.



About eprentise

eprentise provides transformation software products that allow growing companies to make their Oracle® E-Business Suite (EBS) systems agile enough to support changing business requirements, avoid a reimplementaion and lower the total cost of ownership of enterprise resource planning (ERP). While enabling real-time access to complete, consistent and correct data across the enterprise, **eprentise** software is able to consolidate multiple production instances, change existing configurations such as charts of accounts and calendars, and merge, split or move sets of books, operating units, legal entities, business groups and inventory organizations.