Time to Grow, Part 1: Questions CFO’s can Ask About Their Oracle® E-Business Suite Systems

an eprentise white paper

tel: 407.591.4950 | toll-free: 1.888.943.5363 | web: www.eprentise.com

Author: Helene Abrams
www.eprentise.com

The economy has begun to show signs of recovery. Companies are reporting stronger earnings. Except for what might have been a technical or systemic anomaly, stock indices are on the rise. Unemployment claims are dropping and jobs are slowly being created. Companies that have been hanging on to cash are in a good position to spend it on deals or to hire back workers. In other words, the economy is positioned for growth.

To grow and take advantage of new market opportunities, companies will refocus their resources on expanding revenue and increasing production capacity.

Where territory managers may have been operating with smaller sales teams serving a retrenched customer base, they will now begin to add headcount. As the supply lines begin to flow smoothly again, factories will reopen shuttered production lines (some already have) and bring back idled workers. Back-office cost centers, however, will not add to headcount as quickly. Companies will assume that scaled down back-office teams have achieved optimum productivity, that they can therefore stay at reduced levels for the foreseeable future, and that they will scale easily once there is no risk that the recovery will stall again with the next COVID-19 wave.

But organizations may still have an opportunity to further improve the productivity of back-office operations, particularly those that rely on their ERP systems. Rather than simply assuming that they have been running at optimal levels (doing more with less since the economic crisis started), CFO's and CIO's can assess the efficiency of their back office operations by asking a few straightforward questions. The answers to the following questions will give organizations a basis against which they can further develop productivity improvement plans.

Number of Different ERP Instances

1. How many instances do finance, accounting, payables, receivables, and purchasing teams log into?
2. How many instances are sources of data for financial reports?
3. How many instances store customer data?
4. How many instances store supplier data?
5. How many instances do your IT teams manage? Count all instances – including training, development, test, staging, backup, archive, and production instances in each location.

Multiple instances translate into redundancies that add costs to staff for managing and using the system as well as the costs of hardware, software licenses, and the energy to operate them. By simply counting the number of instances, CFO's and CIO's can intuitively determine if they have an opportunity to reduce costs by migrating to a single instance and establishing shared services centers for each of the related operations.

Even consolidating just two instances can translate into significant cost savings. Consider the overhead and opportunity costs of licenses for the additional development, test, staging, backup, archive, and production instances, the hardware, the energy costs, and the IT staff required to manage the second system in a second location. One global organization saved over 80% in licensing fees alone by consolidating three Oracle® EBS production instances. The massive cost savings were re-directed to other high priority value-added projects.

Closing the books

1. How long does it take to close the books each month? Each quarter? At the end of the year?
2. How many off-line spreadsheets are used to create period-end reports?
3. Can internal customers go online and create their own reports, or do IT teams still need to gather and analyze data for internal customers?

Finance gurus have extolled the virtues of a continuous close for years both because of the consequent operational efficiencies, a bottom-line advantage, and because of the speed with which financial information can be disseminated to management – a competitive advantage. But some organizations resist this best practice, preferring to rely instead on the tried-and-true offline spreadsheets they are familiar with, despite their inherent risk of errors (contained in 19% of all spreadsheets according to some studies), because they are simply more comfortable using them. The comfort level is well and good, but the prevalence of spreadsheets can indicate a significant level of inefficiency, something boards and investors should question if the earnings call happened more than one month after the close of the quarter.

Management requires timely information as much as quality information to make the right decisions. If managers cannot create their own reports or must wait for reports to be generated by finance teams because data resides in disparate systems or needs to be somehow massaged before it is usable, then this is yet another indication of process inefficiency and room for internal improvement.

Task duplication

1. How many finance teams do the same type of work in different business or operating units?
2. How many accounting teams?
3. How many purchasing teams?
4. How many receivables teams?
5. How many payables teams?

Wherever there are task duplication issues there are also likely to be organizational silos and therefore room for improving productivity and reducing costs. It's one thing to have reduced headcount during the economic slowdown. It's another matter altogether to consolidate silo'd teams and change entrenched business practices that may be more politically oriented than business oriented. Boards and investors, therefore, should investigate the overall organizational structure and challenge management to justify the lack of shared services when separate operating units exist.

Were there any recent acquisitions?

It almost goes without saying that if there were any recent acquisitions or divestures there may also be room for improving productivity, most likely uncovered during due diligence. For example, if IT teams participated in the due diligence process, then any potential IT-driven consolidation may be underway. Or it may have been shelved for some future time when the dust settles. Bearing in mind the opportunity cost of non-consolidation, particularly if there was any activity put on hold during the global crisis, now would be time to dust off those consolidation plans.

Your answers to these questions indicate whether your organization would benefit from consolidating back-office services in a shared services center to position your organization for future growth. But consolidation requires reengineering business processes, reallocating resources (staff, software licenses, and hardware) from multiple sites to a centralized or digital location and preparing end-users for a tectonic shift in business practices. Though the benefits are clear, the prospects of undertaking a consolidation project may be more than is feasible for some organizations. In Time to Grow Part II we share one simple Oracle EBS fix that is guaranteed to improve your organization's productivity.

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 reimplementation 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 ledgers, operating units, legal entities, business groups and inventory organizations.