Is Your ERP Investment Paying Off?

Six ways to derive greater value from your ERP system

ERP systems are a major investment, so companies naturally want to justify the expense with bigger and better business returns. Many companies pay close attention to costs and timelines when implementing a new platform, but fail to conduct any future value assessments on how their ERP impacts day-to-day operations. In fact, a survey of small and midsize companies found that two-thirds rarely, if ever, calculate ROI on their ERP system.[1] This complacency could be costing your business big time when it comes to productivity.

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Measuring ROI typically involves answering three key questions:

- » **Where can I save money?**
- » **Where can I save time?**
- » **Where can I save resources?**

While the hard numbers will vary depending on where you affect change, there are best practices you can follow to keep you on track. Here are six practical and tactical steps to measuring ROI in your ERP.

1. Make a Compelling Case

When you first implemented your ERP, you likely sought approval from key stakeholders to back the project. Follow this same protocol for your ROI assessment. Getting buy-in from leadership shows that you're invested in the health of the business and committed to making their jobs easier. Having their support will also make it easier for you to access information and implement changes moving forward. Come prepared with your process defined, be specific about what you're trying to accomplish and how it will impact the business. Cite examples of companies that have realized results from similar exercises.

2. Take your ERP to Task

If you don't know how your applications are performing, how can you make good business decisions about them? Having a solid foundation to work from is key. Identify specific, measurable KPIs that align with your company's business goals. Work with your accountant and division heads to get real costs and performance numbers. Be sure to factor in capital expenses, operational costs and staff time. With a strong baseline in place, you can start to identify areas for improvement. Specifically, what gaps do you want to fill or where could your ERP perform better. For example:

- » Minimize redundancy or improve transactional accuracy
- » Better integrate siloed business divisions into the process
- » Identify areas where the business could be more competitive
- » Comply more easily with tax rules and regulations

Once you have an idea of what you want to measure, it's easier to benchmark how your current system is performing against those KPIs.

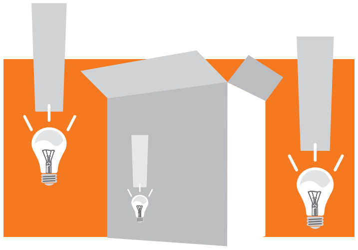
[1] *Aberdeen Group, Measuring the ROI of ERP in SMB*

3. Drive towards specific goals

Where most companies fall flat on calculating ROI is either being too general with what they're trying to measure or too ambitious with how much they can actually change. A better solution is to be targeted with what you're trying to achieve. What are the specific changes or improvements that would most benefit your business? Some good examples might include:

- Fill orders faster
- Shorten the time it takes to get invoices paid
- Ensure accuracy of sales tax applied to purchases and invoices
- Automate pricing updates and marketing promotions
- Increase on-time shipments
- Reduce product to market time

While you could try and measure all of these, a better approach would be to prioritize those activities where change will have biggest impact. Focus on areas that are underperforming or that could have an immediate or substantial effect on profitability, efficiency or compliance.



4. Think outside the box

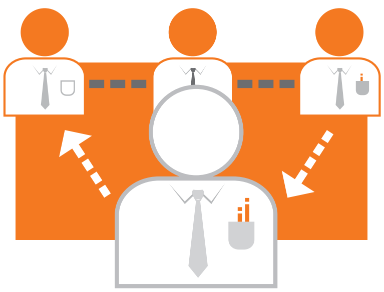
If you're running only legacy apps in your ERP, you might not be seeing optimal performance in more specialized areas of your business. To compensate, companies will often custom-build a workaround to attempt to gain that functionality. The trouble with customization is that it's generally not true "automation," meaning someone inside your organization still has to manually manage the process.

It's highly likely that there are third-party software solutions that integrate into your ERP to add the functionality you want. SaaS solutions offer the most flexibility with usage-based pricing and on-demand apps. Make note of any custom apps or gaps in your process and look for ways to fill those deficiencies with third-party software solutions.

5. Consider the Cloud

Many companies choose to invest in on-premise ERPs because they feel they'll have greater control over their processes and data. This control, however, comes at a cost. On-premise solutions are typically "hands-on" apps meaning they require dedicated resources to manage them–ranging from refreshing data to updating applications to replicating processes across multiple ERPs or platforms.

Dealing with maintenance, license fees and renewals, staff time, training and upgrades can be big dings against your ROI. Cloud-based SaaS ERP solutions offer a more turn-key solution, deploying quickly and easily, offering usage-based pricing and scaling to your business growth needs. Apps are delivered as needed and there is minimal impact on IT or back end staff.



6. Leverage ERP Partnerships

Once you've identified functions within your ERP that could be improved, ask your ERP vendor to recommend third-party providers that they partner with on a regular basis and have successfully implemented into other customers' ERPs. They want to keep you as a customer, so they're motivated to find the best possible options for you. Don't be afraid to ask about certain functions or features that you want. Most ERPs have relationships with vendors who specialize in industry-specific solutions and have been pre-certified to work within their environment.

Sales tax automation is a great example. SaaS provider Avalara has pre-built integrations to hundreds of ERP, accounting, POS and ecommerce systems. Rates, rules and product taxability are always up-to-date, so there's no longer a need to manually manage or update rate tables, product codes or jurisdictional boundary changes. Because compatibility is already established and the solution is cloud-based, your system is up and running in 30-60 days and there's no cumbersome, costly on-premise software to manage or maintain. Automating sales tax not only provides peace of mind that your business is fully compliant, it also increases the value of your ERP system.

Challenge business as usual

It's likely that your business has changed since you first implemented your ERP so what was working "just fine" before likely isn't now. Conducting an ROI assessment on your ERP is a good way to level set. With some proactive planning and a solid measurement system in place, you can fine-tune your platform to yield the business results you want.

About Avalara

A privately held company, Avalara was founded by a team of tax and software industry veterans to fulfill a vision of delivering an affordable, scalable sales tax solution. Thus making what was not economically feasible in the past for mid-sized business not only affordable, but more accurate as well – all with the latest and most innovative technology available. From Bainbridge Island, close to Seattle, Avalara's knowledgeable staff works tirelessly to help customers put the hassles of sales tax compliance out of mind. Avalara's mission is to transform the tax process for customers by creating cost-effective state-of-the-art solutions. The company does so through integrated on-demand, Web-based software services that provide transparent transactions, accurate tax compliance, painless administration and effortless reporting.