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The background of the slide is a large, abstract graphic composed of numerous small, overlapping circles. These circles are arranged in a pattern that resembles a stylized globe or a cluster of data points. The colors of the circles transition from dark red and purple on the left to bright yellow and green on the right, with some circles appearing as white or light blue. The overall effect is a vibrant, multi-colored dot matrix.

Integrating next-gen capital planning  
into your next-gen ERP transformation

**Leveraging your ERP upgrade as a capital efficiency opportunity**

## Expanding the benefits of your ERP upgrade

Upgrading enterprise resource planning (ERP) software systems can be a challenge, and it's a challenge that many companies are facing today, as major ERP providers roll out new versions<sup>1</sup> and organizations look to transform their operations and improve efficiency. This includes updating business processes and models required to keep pace with the changing business environment. Through these transformations, leaders have an opportunity to rationalize tools and systems, implement leading practices, and fix what's not working—as well as to employ the next generation of ERP and complementary systems around the ERP to improve an organization's performance, drive efficiencies, and create operational effectiveness.

For organizations with large capital spend portfolios, capital planning, capital allocation, and project execution are typically key business processes managed in disconnected systems outside the ERP. This creates gaps in the big financial reporting picture, with data and information being aggregated and reported from sources separate from the corporate ERP system, potentially leaving leadership exposed due to delayed or inaccurate reporting. For instance, our surveys have shown that nearly 80% of executives are not confident that their organizations are optimizing their return on invested capital<sup>2</sup>—with good reason, considering many companies find it difficult to deliver on capital commitments and maintain high and steady returns on capital investment.

Similarly, capital allocation and project execution are often managed in separate systems from capital planning, and within the ERP they are often reported as actual costs and accruals against high-level budgets but with no real visibility into progress and performance, introducing differing master data and multiple sources of truth.

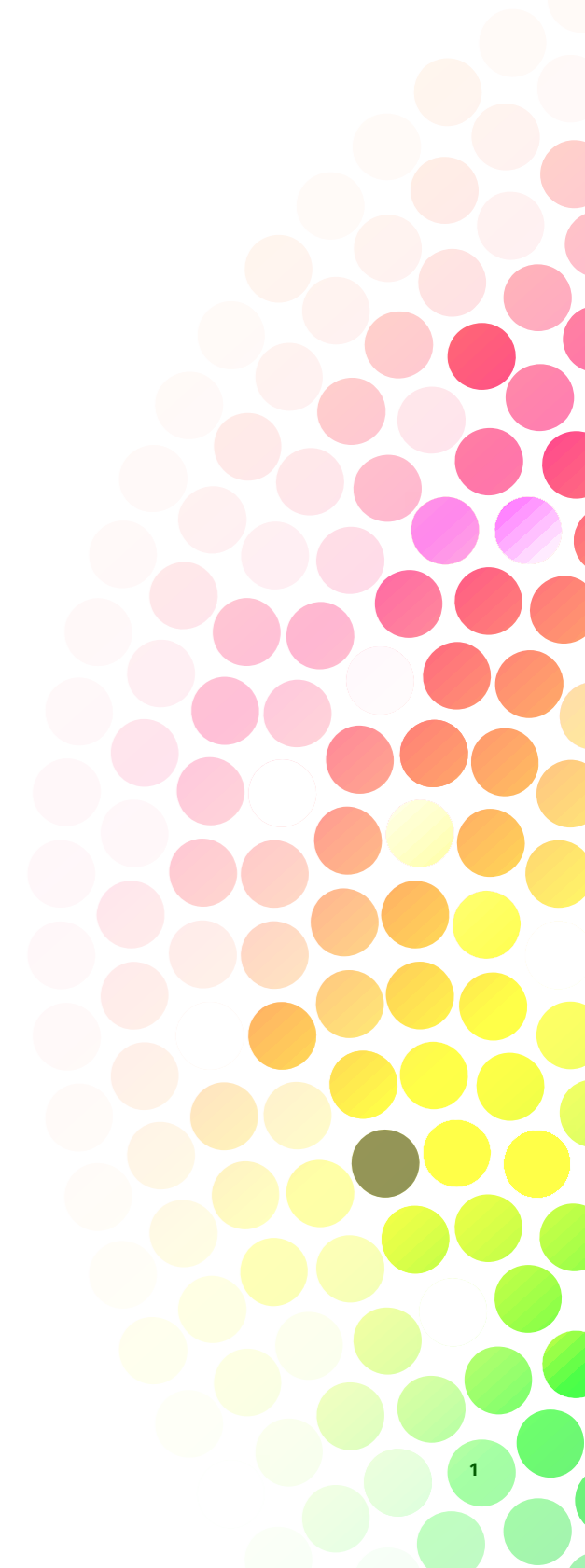
In our experience supporting system implementations and ERP transformations, if companies are considering upgrading their ERP system, they should also consider including their capital planning, capital allocation, and project execution activities into the business transformation. And the good news is, even if an ERP system upgrade is already underway, it's not too late for a capital planning integration. Organizations that navigate the balance between finance requirements and IT constraints to bring capital efficiency into the ERP transformation fold can see benefits, such as operational efficiencies, execution effectiveness, and more timely and accurate reporting.

## An operational and technological inflection point

The next generation of ERP and enterprise project portfolio management (EPPM) solutions is already here and happening, and with systems and information continuing to migrate to the cloud and legacy systems heading toward obsolescence, leaders overseeing large capital budgets face a decision inflection point for their ERP transformation, data governance, and standards on whether to include EPPM as part of that journey. A transformed operational and digital environment can facilitate fully integrated systems—or fall short by leaving gaps or loose ends,<sup>3</sup> or by excluding critical processes and activities.

Enterprisewide software transformations are huge undertakings, and getting it wrong can be costly and result in significant lost opportunities. After all, the pace of change is only accelerating. Boards are demanding ever-tighter management of capital spend, and it's more important than ever to make sure that processes are as transparent, auditable, and efficient as possible while outcomes are visible and predictable. Leaders need to consider several questions:

- How can the organization bridge the gap between the C-suite and what's happening on the ground?
- How can a company better integrate capital planning and project execution in its ERP ecosystem?
- Can a next-gen ERP and integrated EPPM systems help unify what have historically been separate workstreams disconnected from the ERP?
- Is it best to work with one provider's suite of solutions or integrate specialist solutions from best-of-breed providers?



## Moving to next-generation capital planning

As discussed earlier, for a variety of reasons, many organizations have managed capital planning work processes disconnected from an ERP system, which typically provides corporate financial reporting. But project performance and shifts in corporate expectations in recent years have highlighted to leadership the necessity for better capital planning, allocation, and project management. This includes a clearer understanding and link to how capital is allocated, spend is managed, and the actual return on capital is employed. And that means more tightly integrating capital spend into financial planning, project portfolio management, and the quarterly or monthly reporting going forward. Integrating these previously separate activities and workstreams allows near real-time reporting and decision-making.

It also means a shift in how people look at the capital investment life cycle, as leaders begin to manage capital spend as part of an enterprisewide solution. While it may seem that an ERP system can natively provide the required functionality to facilitate this shift in focus, our experience indicates that few ERPs can provide the level of detail required by capital planning end users. In fact, many will require a complementary EPPM system that provides capital planning and project execution capability, which then integrates with the ERP for full visibility.

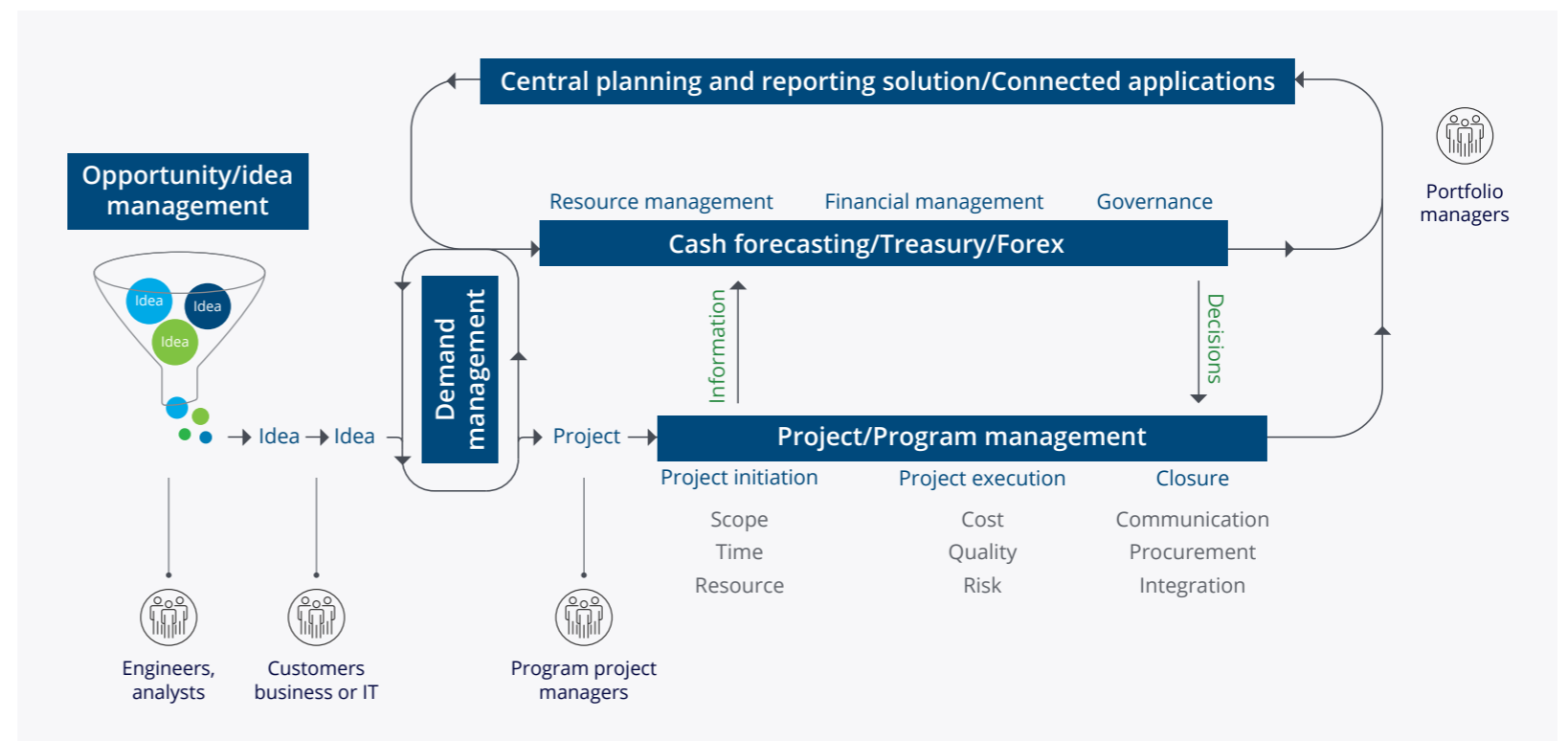
Indeed, in many organizations, executives have increasingly turned to ERP systems to handle the full range of business process. But ERPs can't necessarily solve everything, including many requirements of capital planning management and enterprise asset management. No single system can be an effective all-in-one end-to-end solution. The problem is often that systems that can be an 80% solution don't necessarily deliver all the functionality required to effectively manage details associated with capital project execution. This results in external processes or systems set up in silos, or disconnected rather than integrated, which leads to multiple data sources. The goal should be to make them—the people, process, systems, and data—integrated and able to collaborate.

Figure 1: Seamless strategy translation down the organizational hierarchy helps in bottom-up benefit realization throughout the corporate structure

### Enterprise project portfolio management

Some organizations looking to build on the foundation of a core ERP solution are developing and implementing EPPM programs, overseeing multiple ways of delivering and managing work. In managing a broad portfolio of products, projects, and services, an EPPM program should keep focused on return on investment (ROI) and outcomes.<sup>4</sup> We see EPPM as comprising four core capabilities:

- **Portfolio management.** Continuously managing the overall portfolio and periodically reassessing and governing the portfolio.
- **Demand (opportunity/idea) management.** Collecting, evaluating, prioritizing, and approving demand, as well as winnowing out nonaligned project or solution ideas.
- **Project/solution management.** Monitoring and controlling project and product progress, as well as resources, risks, issues, financials, scope, and quality.
- **Business outcome management.** Measuring the outcomes of project and solution delivery and comparing those outcomes to the business case promises made in the demand management cycle.

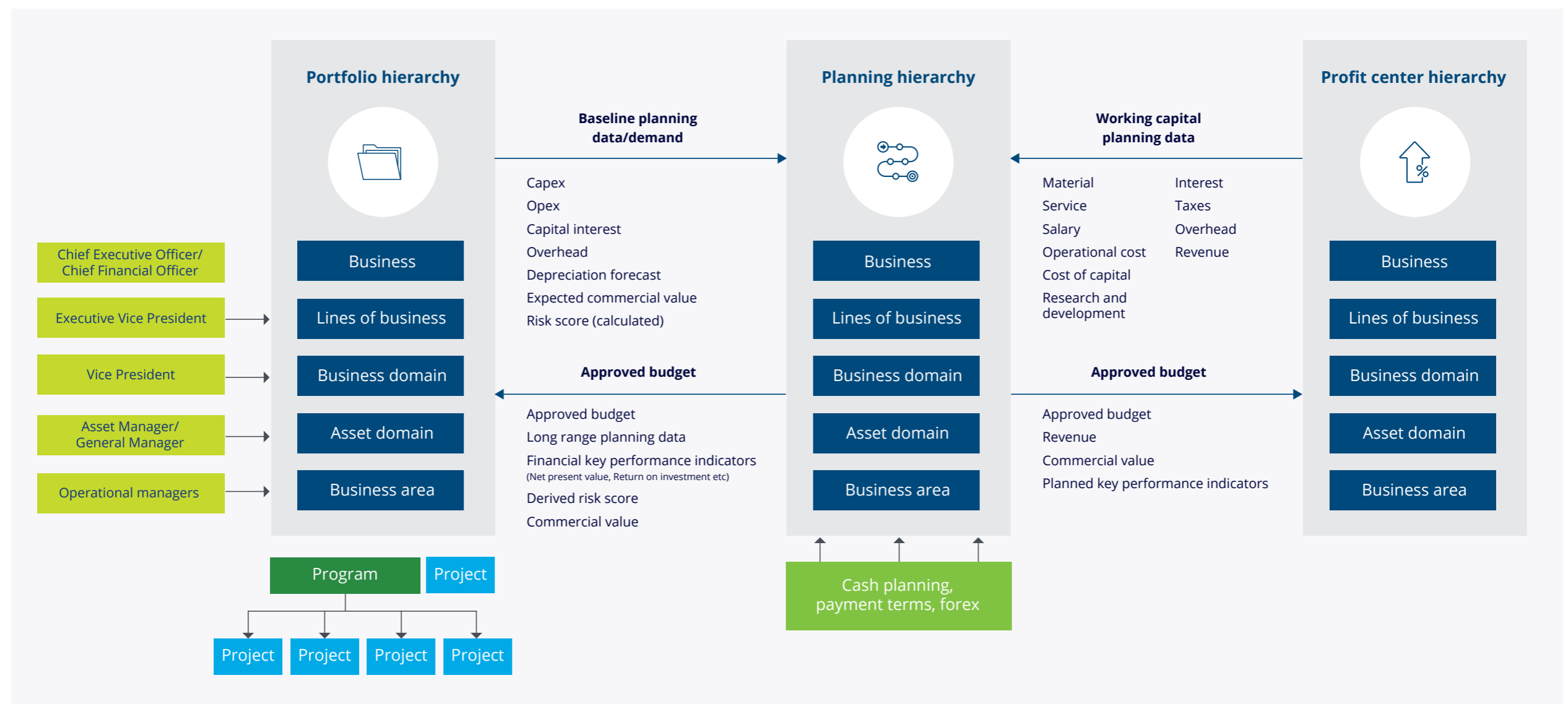


## A single source of truth

Employing many different systems to do a lot of different things often results in multiple data sources and potentially many points of truth for an organization. An ERP transformation can therefore be a good time to simplify and consolidate disparate capital planning and project execution systems and tools into an enterprise PPM system that integrates with the next-gen ERP.

In fact, an ERP transformation is often an opportunity to go a step further and reimagine the organization's data foundation, data model, and solution architecture. Doing so can help create a collaborative environment with defined master data, connected outputs, and, most importantly, one single source of truth. The key is aligning the various organizational hierarchies: portfolio, planning, and profit center. Each runs through lines of business and an asset domain, and aligning data flows across hierarchies can help leaders across the organization make informed strategy decisions (figure 2).

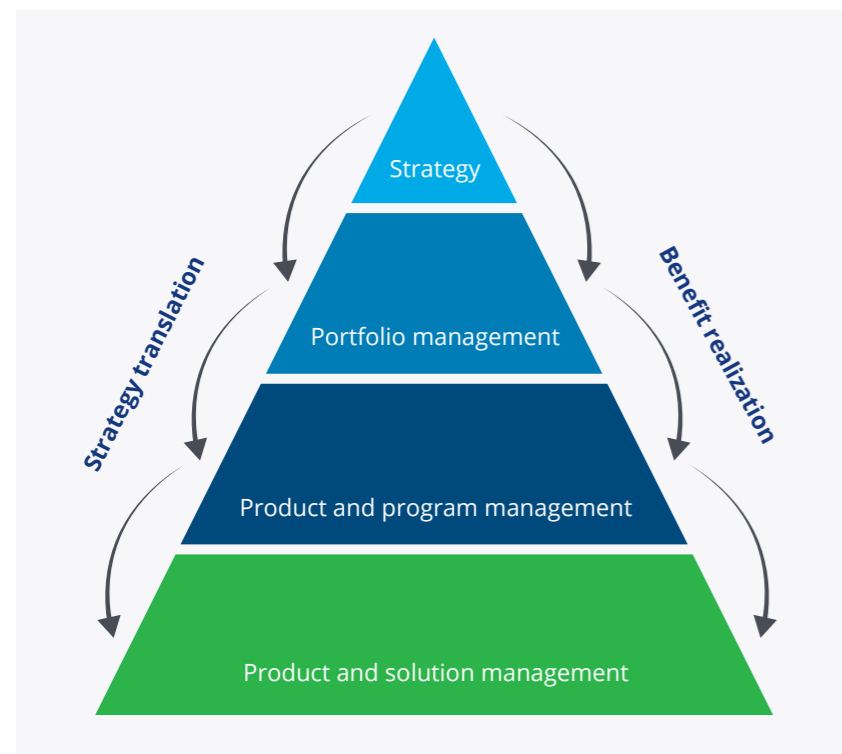
Figure 2: Connected data models enhance availability of processed information on demand



We recommend bringing a range of functionalities under one integrated ecosystem, leveraging innovations in cloud, computing, accounting, and engineering systems happening in and around ERPs, such as the following:

- Investment capital planning and integration with working capital
- Opportunity management
- Authorization for expenditure (AFE) management
- Project management
- Project planning, scheduling, progress measurement, and control
- Contract administration
- Risk management and management of changes
- Project accounting, and integrated, interactive reporting published through digital KPI-based dashboards, including trends data

**Figure 3: Having a SPOT facilitates seamless strategy translation, monitors benefit realization, and supports continuous improvement of performance for capital investments and project delivery**



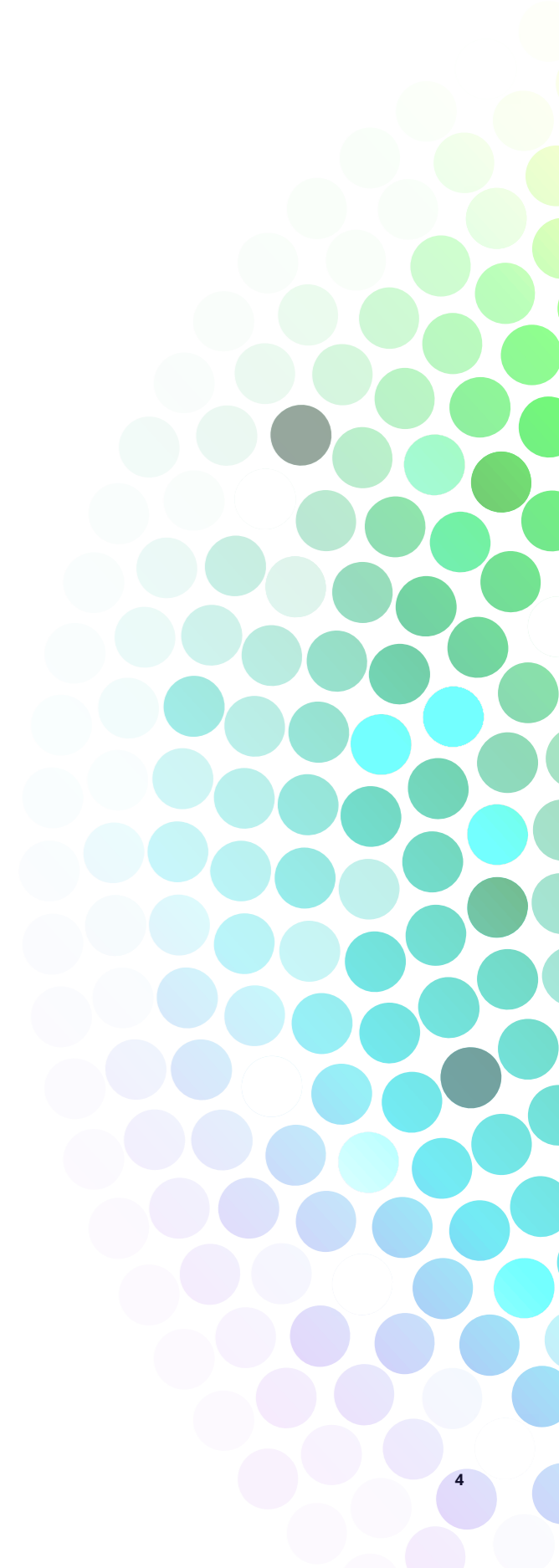
Whatever form the integrated ecosystem takes, leaders need to be able to rely on the outputs and the process to provide accurate and transparent reporting and analytics that inform timely decision-making. In this way, the ecosystem should offer a single point of truth (SPOT) for the business's stakeholders, whether they be project managers, accountants, business unit leaders, or C-suite executives. Otherwise, organizations will continue to see the proliferation of shadow systems.

### Conclusion

As organizations with large capital budgets embark on their next-gen ERP program, next-gen capital planning should also be part of the equation. Equally important is bringing visibility to a single source of data across the organization, thereby allowing leaders to leverage that data and real-time information for better planning, allocation, and decision-making to drive improved returns.

It is important to think digital-first: Leaders should not only leverage digital technology to enhance revenue and enterprise performance but also seek to unify the end-to-end process through a digital lens, regardless of how many systems the organization is leveraging.

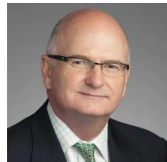
This will take some real effort and commitment across multiple levels of the business structure—and rethinking of capital planning, allocation, and project and portfolio management. But none of this is beyond the realm of possibility for organizations that recognize the necessity of such efforts, and the rewards that can come from effective integration into their next-gen ERP transformation.



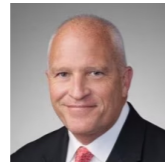
## Endnotes

1. Reda Chouffani, "The decision to upgrade a legacy ERP system vs. replace it," TechTarget, October 27, 2021.
2. Deloitte, *CFO Signals™: What North America's top finance executives are thinking—and doing, 4th quarter 2022*, p. 11.
3. Tim Crawford, "Next-generation ERP: Getting it done in more ways than one," Future of Commerce, October 22, 2021; Claus Jepsen, "Future-thinking ERP trends: How the industry is evolving," Forbes, September 20, 2021.
4. Dipayan Deshmukh and Namratha Mohan, "Understand 10 benefits of an effective project portfolio management strategy," Saviom, November 3, 2021.

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