



**NUCLEUS  
RESEARCH**

# **DELTEK COSTPOINT**

## A&D MANUFACTURER

### ANALYST

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### **THE BOTTOM LINE**

Nucleus interviewed an aerospace & defense manufacturer that deployed Deltek Costpoint and found benefits realized including reduced operational costs, enhanced product tracking, and sustained audit compliance. Specific cited benefits include a cost avoidance of over \$30 million annually through accelerated inventory transaction times, enhanced production efficiency through accurate inventory management and product quality control, and the API flexibility to build custom extensions to fulfill organization-specific functionality. For manufacturing organizations in government contracting, adopting a unified ERP system, conducting a pilot implementation, ensuring built-in regulatory compliance, employing a phased deployment, leveraging advanced technologies like IIoT, and maintaining continuous vendor engagement are critical practices that streamline operations, enhance compliance, and deliver significant returns.

## THE COMPANY

This organization is a manufacturer in the aerospace & defense industry located in North America. The organization employs over 15,000 employees and generates over \$8 billion in revenue. It is the subsidiary of a multinational aerospace and defense firm.

## THE CHALLENGE

The organization grappled with a decentralized and fragmented ERP ecosystem across its various business units, with each leveraging its own ERP instance. A significant portion of the units used Cincom, however the instances were not standardized or integrated. This disjointed ERP landscape not only led to data discrepancies but also posed challenges in unifying business processes and driving operational efficiencies due to impeded information flows. The objective for the organization was to migrate to a unified system that could integrate all units, thereby positioning it to manage its manufacturing operations in a more streamlined and coherent manner.

## THE STRATEGY

A thorough survey examining factors including affordability, ease of use, and overall functionality played a central role in the selection process. Additionally, the organization sought a solution that could ensure compliance with the standards and audits required for government contracting projects. The organization assessed multiple ERPs including Deltek Costpoint, Microsoft Dynamics 365, SAP, Oracle, and a single instance of Cincom. Cincom failed to meet the necessary compliance standards for its government contracting project needs. SAP was deemed too costly and user-unfriendly. While Deltek was, at the outset, a less conventional choice for manufacturing, the organization found it to be compliant with the required government regulations that were crucial to its line of business. Additionally, a merger with an aerospace manufacturer, which already utilized Costpoint and matched the company's scale at the time with \$4 billion in revenue, further nudged the organization toward selecting Deltek.

Following these evaluations, a pilot implementation of Costpoint was rolled out at one of the manufacturing plants with approximately 800 employees. This initial plant took 18

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an hour to 14 minutes,  
saving \$30 million**

months to complete the pilot deployment. The implementation approach chosen was a single instance catering to all business units and locations. This was in alternative to a deployment where different instances for each unit and location were established with connectors; this would have been faster to deploy but less efficient. The organization cited that establishing proper control settings in a single-instance environment was challenging but pivotal for the success of the project.

Recognizing the diverse manufacturing requirements required by the customer, Deltek made significant investments in its manufacturing capabilities, responding actively to the feedback and concerns from the organization. This collaboration manifested in a symbiotic partnership as the organization did not want to customize the product in-house to ensure easier updates. Deltek's shift from direct table inserts to supporting APIs, along with the introduction of extensions, allowed the organization to add custom applications to Costpoint without altering the base code.

At present, the system supports 22,000 Costpoint users, handling \$15 billion worth of business. It integrates with 135 distinct systems, including multiple quality and labor systems like Kronos Workforce, Deltek Shopfloor Time, Deltek Time and Expense, and various material tracking systems. Given the sensitive nature of its data, the organization chose to keep the system on-premises for location control of the data.

## KEY BENEFITS

Benefit areas seen as a result of the Deltek Costpoint deployment include reduced operational costs, enhanced product tracking, and sustained audit compliance.

### REDUCED OPERATIONAL COSTS

One of Costpoint's most valuable capabilities cited by the organization is its comprehensive API integration capability. Every business unit within the organization acts as an individual entity with distinct processes, particularly with regard to inventory. By building a custom inventory transaction tool that integrates with Costpoint's API, the organization reported significant time savings. Specifically, inventory transactions that previously took an hour were reduced to 14 minutes. This efficiency translated to savings of over \$9 million annually for one business unit; for the entire organization, the cost avoidance amounts to approximately \$30 million annually.

### ENHANCED PRODUCT TRACKING

Costpoint's capability to integrate with Industrial Internet of Things (IIoT) devices through API extensibility has improved product tracking for the organization. At one facility, each manufactured part from its creation is assigned a unique serial number using a serial number

generation tool. With an embedded chip, each product's journey through the production line is closely monitored. Similarly, at a second plant, machine data is directly fed into Costpoint. This real-time product tracking ensures accurate inventory management and product quality control, enhancing overall production efficiency.

## SUSTAINED AUDIT COMPLIANCE

Costpoint's leading audit compliance features set it apart from its competitors (Nucleus Research w207 – Deltek extends its GovCon lead – December 2022). The organization affirmed this when conducting continuous competitive evaluations against other ERP systems. A Big Four consultancy firm's evaluation indicated that there was no tangible ROI in moving from Costpoint due to its delivered audit compliance for the organization. Even though the parent organization leverages SAP, Costpoint's distinct value proposition and tailored compliance functionalities make it the ideal choice for the organization as a subsidiary.

## LESSONS LEARNED

For manufacturing organizations seeking to conduct significant volumes of government contracting projects, the following best practices are suggested by Nucleus Research based on the lessons learned from the aerospace & defense manufacturer.

- **Unified ERP System.** Adopting a single ERP system across business units and locations eliminates inefficiencies, data silos, and communication breakdowns. This approach fosters better decision-making, simplifies operations, and allows companies to manage resources more efficiently, driving returns.
- **Pilot Implementation.** Beginning with a pilot implementation in a representative business unit or plant allows organizations to identify potential challenges and fine-tune the system. This strategy ensures smoother rollouts to subsequent locations, optimizing costs and reducing downtime, leading to faster and more effective overall deployment.
- **Ensure Regulatory Compliance.** Opting for an ERP system tailored for sectors with regulatory needs, such as government contracting, reduces the risk of regulatory fines and maintains a positive business reputation when bidding for deals. It also avoids the costs associated with retrofitting systems for compliance, ensuring an ERP system is compliant from the outset. By prioritizing compliance, businesses avoid compliance penalties and potential costs associated with audit failures.
- **Leverage Advanced Technologies.** ERP systems integrated with technologies like IIoT devices for real-time data tracking and advanced analytics offer granular insights into manufacturing processes. By choosing ERP systems that support APIs and

extensions without compromising core functionality, organizations can optimize operations and realize significant cost savings, such as through improved product tracking.

- **Vendor Feedback Loop.** Maintaining a strong relationship with the ERP vendor and ensuring continuous feedback leads to more personalized solutions, updates, and improvements aligned with the organization's needs.

Incorporating these lessons learned from the aerospace & defense manufacturer's experiences will enable manufacturing organizations, specifically those in government contracting, to better deploy their ERP system, improve the handling of operational challenges, and drive returns.