

Is there life after ERP?



The Xpragmatic View #10
August 1999
by [Marc Buyens](#), Xpragma
marc.buyens@xpragma.com

From an IT perspective, many companies are now waiting for the end of the year. The uncertainties and the risks associated with this are well known. In the past years, organisations have made the necessary preparations, hoping to successfully pass this hurdle. Often, ERP implementations were part of the approach. What comes after the millennium change? How well prepared are these organisations for the next century?

ERP anno 1999

Over the past years, nearly all organisations have made (significant) investments in ERP solutions. Often, the Euro and Y2K concerns were the basis for these decisions. Verifying and adapting the own house-written application software was seen as being too complex, too expensive and not a good long-term strategic approach. Additionally, many companies were having problems finding and keeping the right IT people. Therefore, various forms of outsourcing and the buy-in of application technology were seen as the only viable approaches.

If all is done well, these companies are now ready for the new millennium. However, the likeliness that everything went as expected is very small. In a recent publication of the business analysts [Booz-Allen & Hamilton](#) "Strategy and Business #15, Making ERP Succeed: Turning Fear Into Promise" some results of a recent study were published. These figures showed that the average budget overrun for an ERP implementation was 178%, in elapsed time this figure was even 230%.

Not exactly brilliant figures, but as said, many companies did not really have an alternative. So, let's move on. The ERP solution has been implemented and these companies are now ready for the new millennium. What did they achieve?

Reality

Well, unfortunately we have to say that very often this is not a lot. Of course, with the ERP solution they have now a solid piece of application infrastructure at their disposal. All the various pieces of the product are well integrated. Also, the burden of continuous maintenance of the house-written software is gone. However, there are also other realities.

Functionality

The functionality of most ERP-packages is not really dramatic. Although these applications can be very complex, most of the functionality still addresses very basic, often repetitive business processes. Smaller organisations will often find too much of functionality. For the larger ones, the standard offering will barely address the business needs. Often this will result in the requirement for complex customisation or add-on developments, resulting in more complexity, more maintenance, etc.

Functionality-2

Also, it is well known that ERP solutions are not yet the all-encompassing solutions that they promote in their marketing. Supply Chain Management (SCM), Customer Relationship Management (CRM) en other more specialised functionality has to be found in additional software packages. The integration needs resulting from such approach have already been the basis for the growing EAI-market (Enterprise Application Integration).

Internet

Most of the ERP solutions have their roots somewhere before the Internet-wave. Often, this is very visible in the products. Apart from Oracle, most of the other vendors still have to adapt their products to become "browser-enabled". The possibilities to really use the solution in an Internet e-commerce environment are often still very limited.

However, the real shortcomings of ERP-implementations have nothing to do with the products, but with your own organisation.

Business Models

Organisations that are planning to integrate their existing ERP environment with other components, often have to discover that this is not an easy exercise. The reality thereby is that it is not that much a matter of technical complexity, but more of business process and business model conflicts.

Hardware and software vendors always promote their latest offering as being a real "business enabler". However, recent analysis gave evidence to the reality that competitive edge is not the result of the technology that is used, but of the business model that is deployed. Technology has of course its importance as a supporting function for these business models, but technology alone will not make the day. The complete company, the complete organisation and all its behaviour patterns have to support the business model.

In the same article of Booz-Allen & Hamilton they gave their view on the two most important shortcomings in ERP projects:

- The company has not made the strategic choices needed to configure the systems and processes
- The implementation process spins out of business control naturally.

In other words: there is not enough "business alignment". As a result of this, there is insufficient synergy between the ERP solution and the strategy of the company and the business processes that have to support this strategy. All too often, the company will find that important business and IT decisions are in conflict with each other. Unfortunately, many of these conflicts only become visible over time. At that moment, companies face the reality that the ERP implementation is very difficult to change.

What's next?

Everyone is now waiting for the end of the year and looking forward for what the new millennium will bring us. However, several companies are already planning for this new century. In their preparation work, e-commerce is a key element. Flexible business models, total integration of the supply chain, inter-, intra- and extranets, are all on the wishlist. But it is not simply a wishlist, it is also reality. All of this will be important parts of the business infrastructure in the coming years.

Especially in these times of Internet "hype", a lot of new technologies and new acronyms are introduced. Many companies feel unsure as they lack the knowledge and therefore feel uncomfortable with the new technology. Often, they see new entrants gaining important market share and do not know how to react. In a recent InternetWeek article it was mentioned that more and more (large) organisations are using various outsourcing approaches to quickly buy-in the specific knowledge and address the short-term needs.

Whatever your technical approach will be, the reality remains that business alignment will be the key requirement. Even more than with your previous ERP implementation, a sound choice of business objectives, strategies and critical business processes will make the success of your company. Forget about all the Internet hype and make your e-commerce initiative a business-driven exercise and not a technology roll-in.

Therefore, while preparing your future e-commerce initiatives, first try to answer the following questions:

- What are our business objectives and what strategy will we deploy to realise these objectives?
- What are the most important business processes that support this strategy?
- Do we need other, new business processes or what changes do we have to deploy?
- Where and how can we make use of the newer technologies such as Internet, e-commerce, etc.?
- Can approaches such as application integration be of a strategic value to us?
- And last but not least: where do we, as an organisation, have to change?

This is a rather challenging exercise, but not impossible to handle. Most of the required knowledge is available within your own organisation. Probably you will want some external help for a more formal approach and the buy-in of new ideas, especially regarding the newer technologies. Still, it is something that is feasible. But it really is a "must do" exercise. You first have to draw the framework of your business approach, before you engage in the deployment of any technology.

Most IT organisations are now approaching their "freeze" period, in anticipation for the last year-end of the century. New investments and important changes are avoided. This might be a good moment to start doing things a bit differently. This might be an opportunity to make the assessment that was forgotten while planning for the ERP implementation. Why are we moving towards e-commerce and what should it give us?

© 1999-2008, Xpragma bvba. All Rights Reserved.

Xpragma bvba - Mechelsesteenweg 254 - 2820 Bonheiden - Belgium
Tel. +32-(0)15-340 845 - info@xpragma.com - www.xpragma.com



RSS feed: <http://www.xpragma.com/english/rss/xpven.xml>