



# Good News! The Age of ERP Disillusionment is upon us

The smoking gun of this recession... and the next?

## Sequoia Spotlight

For a couple of decades the FMCG industry has been preoccupied with systems.

Specifically – ERP systems. Be it Project Phoenix, Globe or Cockroach (yes, honestly), vast resources have been ploughed into getting ERP in and running.

The leading businesses have now had time to make it work – and to reap the not inconsiderable benefits that were promised by the vendors. They have also had time to notice that these benefits are not especially obvious; time to buy and install later versions and “add-ons”; time to notice that the benefits are still not obvious – and to start asking why.

ERP does not live up to expectations – but that is because expectations were set too high. ERP was sold as transformative – but it is actually facilitative.

### ERP is not sexy, but essential

A reasonable analogy is that ERP is like the foundations of a building; not sexy, but essential.

Nobody ever gave out an architectural award for best foundations – but all the award-winning glass and steel and cantilevering would be nothing unless the foundations were sound.

So the conditions have been created for severe disillusionment with ERP and we are detecting that this is now starting to arrive. However, we also believe that this is good news – possibly the best for some while.

All the boring spade work has been done – now the sexier, more interesting and useful stuff can begin.

Again – like foundations – there is nothing much by way of competitive advantage that arises from ERP.

“For a couple of decades the FMCG industry has been preoccupied with systems.”

Everybody has it. Most companies have the same one – but all of them are pretty much the same in terms of capability.

Thirty years ago simply getting data was a chore. Now data is plentiful. Processes and procedures were opaque – and inefficient. Now they are explicit and

better thought through. But so what? Where is the benefit? Where’s the beef? What we have now are management teams all over the industry, staring at a solid, stable lump of concrete – and wondering what they should be putting on top of it.

They won’t all do the same thing. They won’t all do as good a job as each other. Some will win. Some will make a good showing. Some will be also-rans!

So the real question is: what can you build on your ERP foundations – and what WILL you build?

We are finding client agendas are beginning to turn to this issue, and to two areas in particular:

**People:** The training agenda was hijacked by ERP projects, so we have a generation of managers who have mostly been trained in “which button does what”. Supply chain managers need to be up-skilled as business problem solvers and decision-makers.

**Tools:** The “intelligence”, built into ERP systems, is limited and the human interface is primitive. Better, richer tools are needed to support the better-skilled Supply Chain managers that we are developing.

PEOPLE

STRUCTURE

## People

Our belief is that Supply Chain and Ops managers need to become better integrated into the decision-making of the business – forming part of the cross-functional team steering the business.

This means both that Ops Managers need to gain a better understanding of the business, and that other business managers need a better understanding of Ops.

Effective - and profitable - management of Supply Chains involves grappling with trade-offs in the face of great uncertainty. This requires managers to be

comfortable with statistics and economics. Then, in order to discuss and interact with Finance and Marketing, they need to have communication and conflict management skills.

In response to client demand we have developed programmes, with partners, aimed at providing managers with both the technical and communication skills to fulfil this role effectively.

## Tools

Way back in 1597 Sir Francis Bacon was credited with the maxim “Knowledge is Power”.

But data isn't knowledge. Now that ERP is up and running, companies are data-rich but knowledge-poor.

Meanwhile, through innovations such as HTML5 and Adobe Air, the IT industry has been providing the means to display and interact with data in hitherto unimaginable ways. For some clues to what can be done check out [www.gapminder.org](http://www.gapminder.org) and [www.informationisbeautiful.net](http://www.informationisbeautiful.net).

We are at the beginning of a revolution in data-driven management – or Numerically Assisted Thinking, as Sequoia call it. More powerful tools, better trained

TOOLS

PROCESS