

Securing Competitive Advantage...

How ERP can give it to you, take it away from you, and give it back to you again.

Having been around manufacturing business for 30 years and experienced ERP implementations in many different kinds of business I have gained a view that ERP can be really good for a business, but also hold it back.

During the late 1990's many companies purchased and installed, often at great expense, ERP systems. The main driver for the change was the fear of non-compliance with the year 2000. However, for a lot of companies this was merely one of the drivers for the change and in many cases became a subsidiary cause for the new system, in that many people understood that implementation of ERP drove change through the organisation and brought best practice, as embedded in the software, to their business.

This best practice, allied with the move from a silo to process mentality, gave the adopters of ERP competitive advantage in their industry sectors – if it was done well. Simply by using the software as intended the user was applying the methods of doing business in the best way – when compared against competitors that were using legacy systems that were not integrated – the users of ERP gained competitive advantage.

Moving with the times

So what has happened in the past 10 years? Well, the truth is that if you have, or had, an aging business system and the need to replace it then you would, in all likelihood, have considered an ERP system. The advantage for the later adopters of ERP was that they benefited from the (often expensive) mistakes made by the early adopters. They also benefited from the improved ERP software releases which had gained functionality as a result of earlier user implementation experience.

So, if one of the drivers in your industry for the implementation of ERP was to gain competitive advantage then at best, if you have kept on the upgrade treadmill, you will have systems and processes not much different from your competitors, and therefore little competitive advantage afforded by the software, and at worst, if you haven't upgraded, a system that hands competitive advantage to your competitors.

Unless of course you broke the mantra that was in vogue during the early years of ERP – that you implement 'vanilla' and don't customise! To expand, a 'vanilla' implementation is the use of an

industry template and, more often than not, changing the business to fit the software, rather than changing the software to fit the business! Where best practice is evident this makes absolute sense – but for some companies an essential elements of *how-they-do-business*, what makes them unique, could often be eroded or lost; for instance, the way special discounts were calculated; or how the goods were organised for shipping. If two companies competing in the same industry sector implemented the same ‘vanilla’ software, then it is likely they would do many things the same way, potentially being left to fight each other on one battleground alone – price.

Also, as it is now the case that the major ERP solutions approach most business issues and processes in the same way, it is fair to say that having a different ERP product won’t be enough to differentiate one business from its competitors.

Customisation cul-de-sac

Meanwhile let’s return to those businesses that couldn’t and wouldn’t accept entirely that the software they bought could do everything they wanted and insisted that it was changed to suit the way they did business – that it represented the competitive advantage they wanted to retain.

They were often sold source code, a lot of customisation services and then left with a modified system. However, unfortunately for many companies the scope and scale of the modifications made often barred them from upgrading and moving to the next standard release of the software due to the cost of ‘porting’ the changes! Worse still, some of the software vendors did not happily encourage a broad community that would support the software and write modifications to suit businesses.

Therefore some users of ERP systems are left with little choice; stay where you are whilst others gain competitive advantage or pay a lot of money to a dwindling community of experts to continually change your system. Or, of course, implement the latest version!

‘Vanilla’ - the Pro’s and Con’s

Vanilla implementations were good for the software industry – they made a lot of money from the early adopters of ERP through vast projects where they learned what they had to deliver. Then they shifted lots of software licences putting in off-the-peg ‘vanilla’ implementations.

It can’t be denied that a ‘vanilla’ system could also be good for some of the businesses that implemented it. Where a business didn’t really understand its own processes or didn’t have the resources or wherewithal to document and formalise them, then a ‘vanilla’ implementation could be a useful a way of establishing and underpinning how the company did business.

However, where a company knew what it did, how it did it; and what made it special in terms of differentiating it from its competitors; then there was a potential that those differences – the ‘competitive advantage’ if you like – could be nullified by the implementation of ‘standard’ business processes.

The Best of Both Worlds

Yes, there is no doubt that modern ERP software will contain the very best approach to common business processes – and these should be applied within your business. But, do ensure that you can capture and implement your unique business processes too. Some ERP vendors will let you have access to the source code of their product – they will make it easy for you to work with either them, with third parties or even on your own to develop and integrate software enhancements that ensure you capture what gives your company competitive advantage. They will ensure that you are not hampered from upgrading to the latest version because of your uniqueness so you get the best of the latest release of their software allied to the enhancements that you have added.

Do ensure that you fully own the intellectual property surrounding the enhancements – there is nothing worse than finding your competitor can pay to gain your unique knowledge and experience.

Furthermore, there may be some value to you of selling the enhancements to other businesses that are not direct competitors to you.

If your current ERP vendor doesn't allow you to add your own enhancements, or charges a small fortune for the pleasure then consider a new ERP system. In the long run it will probably be cheaper and the only way you can economically differentiate yourself.

Martin Roberts

Director
Neustro

About the Author: Martin has worked as an IT consultant for Deloitte and Touche and also as the European IT Director for Mondi Packaging, a division of the FTSE listed company, Anglo American. He has overseen both growth and downsizing of large IT departments and managed IT outsourcing arrangements.

About Neustro: Neustro are the business systems experts - design, implement, manage and support IT for business – from e-mail to ERP. From one-off projects to a complete outsourced service. Neustro are specialists in Microsoft Dynamics AX and Infor Baan.