

1. **Should you really let your ERP vendor dictate how you run your business?**

1.1. **The troubles with ERP - Complexity and cost is forcing vanilla installations**

Over the last few months, I've been talking with a range of major organisations about their ERP initiatives.

Not one of them has described their ERP as an unqualified success. Whether they're implementing their first ERP, a replacement ERP or an upgrade of their existing ERP, the issues they have experienced involve one or more of the following:

- ◀ Transitioning from a custom to a plain vanilla version to avoid costly and difficult upgrades
- ◀ Can't easily or inexpensively make changes to processes to respond to changing market conditions
- ◀ Delayed initiatives because of the disruption to business caused by changes required to the ERP
- ◀ Having to change their business processes to suit the way the ERP does things
- ◀ The total cost of the ERP was so great that payback won't be possible for at least 5 years (compared to doing nothing!!)
- ◀ So much had been invested they had to keep moving forward due to the sunk investment

ERPs have (and still are) traditionally been sold on the premise that they represent best practice in a given domain (say, customer service, lending, or human resources). They are therefore ready to go 'out of the box'.

However, I've never have not seen a single installation where there hasn't been some (and often significant) level of customisation or configuration needed to reflect some aspect of how the business prefers to do things. Unfortunately, this customisation that comes at a price in terms of cost, time to complete, upgrade restrictions and endless iterations.

As a result, I'm finding that businesses say they are virtually 'forced' to take vanilla installations. But if you're taking a vanilla solution and so are your competitors, what does it mean for your competitiveness, differentiation and brand relevance? Does this dictate that you can only differentiate on service?

I believe it's paramount to measure the effectiveness of your ERP system that you answer these questions:

- ◀ How much time is devoted to administrative / system activities compared to customer facing, high value time
- ◀ Can your staff deliver products and services the right way, the first time
- ◀ Will customers using your IT systems to self-service have a positive, brand relevant experience

...to determine if your ERP is directly supporting your competitiveness and relevance.

1.2. **Brand, differentiation, relevance and the customer experience**

More and more industries and sectors are becoming commoditised where differentiation is very difficult and the identification and execution of brand relevance is critical.

Brand relevance comes from the unique combination of products, processes and people that makes for a distinct experience for customers – one that they talk favourably about and afterwards drives loyalty, referrals and repeat purchases.

Take a moment to consider the prevalence of IT in businesses – it's everywhere. There's virtually no product or service that's delivered without IT somewhere in the delivery lifecycle. And that IT is usually some form of ERP (or productivity application) used to manage the end-to-end customer experience. In many cases there is more than one IT system involved.

If you agree that the IT your staff use on a daily basis has a significant impact on their performance (both positive and negative) and the experience they deliver to your customers, then the decisions you make about your ERP will have a fundamental impact on your ability to execute on your strategic intent and brand relevance.

And if you take a vanilla solution and your processes are the same as your competitors', then your ability to provide differentiated and relevant services becomes more problematic.

You're then dependent on your people delivering the critical behaviours on top of (and often despite) the fixed processes to deliver the experience to your customers that they're expecting, and / or depend on the product being strong enough to stand alone.

People come and go in organisations and you need something constant, and persistent, to teach staff the right behaviours and encourage and sustain them over time.

1.3. ERP, vanilla solutions, business operations and brand relevance

The complexity and cost of customisation is forcing people to take vanilla solutions. But your processes can often be a competitive differentiator giving you relevance in the market. These processes are the way you do things, hopefully, in a way that no-one else does giving your customers a unique and relevant experience.

Therefore, if you take a vanilla ERP solution, you may not realise it, but you're actually making some pretty big (implicit) assumptions:

- ◀ Your ERP vendor knows how to run your business better than you do
- ◀ Your ERP vendor knows your customers better than you do
- ◀ Your ERP vendor knows your staff better than you do
- ◀ Your ERP vendor is a recognised expert in the underlying domain (e.g. logistics, customer service) and knows lots more than you

I don't know about you, but I'd like to think that doing what I do for a while now has given me some good skills and knowledge and that I (generally!!) know what I'm doing. I'm not sure I'd like to have someone else come in and tell me what to do differently unless they're really a recognised expert and have plenty of testimonials and business results to prove it.

Think about when you engage consultants. You check their credentials, results they've achieved for other organisations, testimonials, ask for referees and meet with the proposed team to see if you can work with them.

Do you do the same with your ERP vendor? Sure they have case studies and testimonials, but what is their proportion of success to not? It's well recognised that 50-80% of IT project fail in some major way. If a consulting firm delivered project success with such a ratio, would they continue to be engaged?

Therefore, if you take a vanilla solution, then in addition to the implicit assumptions being made, you're then in the situation where:

- ◀ Your competitors may be using the same vanilla solution
- ◀ Your staff are performing activities in the same way, but they're not consistent with your brand promise
- ◀ The processes that were once a differentiating factor are no longer there
- ◀ Your customers see you as more similar to your competitors

Although some staff will try to work around the processes and ERP to deliver the experience customers demand, is a vanilla solution really the way to compete in an undifferentiated commodity market? Isn't a vanilla solution in itself undifferentiated and commoditised?

In change management speak, we call that 'paving the cow paths'. The only thing that's really left to compete on is price – and we all know where that leads.

1.4. Custom solutions, people, processes and behaviours

Now, what I'm not saying is that you should customise a vanilla ERP system. Talking to our customers, they express considerable regret at the extent of customisation they end up doing as it essentially doubles (or more) the cost and time of the ERP initiative. The payback period is correspondingly longer and becomes more difficult to achieve.

They also find that trying to make changes to processes, screens and other aspects of the ERP is virtually impossible due to the cost and testing necessary.

It turns out that they might as well have built a custom solution to suit their processes now and then thrown it out and built a brand new solution some years down the track as and when they want to change their processes (and possibly products and services).

Often the magnitude of the investment in the ERP means that it's kept in operation to justify its expense, even though it's not necessarily contributing to the business's operations, relevance and profit.

When you have a clear strategy and relevant brand promise, together with the right requirements, business process and UI design, a custom solution can provide a significant opportunity:

- ◀ The embedded processes are exactly what you want and have proven themselves because you have built a successful business on them
- ◀ The design and behaviour of user interface encourages, embeds and sustains the real-world staff behaviours critical for staff to deliver a differentiated / relevant customer experience

This last point is crucial. With the implementation of new IT we usually see related change management initiatives to teach people the new processes, approaches, behaviours and other aspects of product and service delivery. But what happens when the training stops? What is there to reinforce the new behaviours?

It turns out that with careful design, the user interface can be used to embed and sustain the required behaviours. The UI is something people interact with during product and service delivery. The UI either directly supports their performance and behaviour, or it bears no resemblance to what people are doing. If it bears no resemblance then you can pretty much guarantee people are doing things differently and are probably jeopardising your brand promise.

1.5. Keeping the ERP vendors honest

The ERP market was borne, partly, out of the problem with custom solutions that ultimately didn't work. Therefore, it was believed that if the base system works out-of-the-box, then there's a much greater chance of success. But then, because out-of-the-box wasn't satisfactory, extensive customisation was needed which then increased risk, cost and duration of the project. In response, we now see a trend to vanilla installations to mitigate this risk.

So what do you do? An ERP / productivity system is important to run your business and, when done right, can streamline operations and remove / automate low value activities. But if you take a vanilla system, what does it mean for your brand differentiation and relevance?

The best recommendation I can give is to treat your ERP project like commercial and residential architecture or civil engineering: create an appropriate blueprint first and then go to market with your blueprint.

What does this actually mean? It turns out that IT is the only engineering discipline that doesn't have a visual blueprint that clearly and unambiguously specifies what we want or what we'll get at the end.

When was the last time you saw something like the artist's conception for a new building that shows the design of the building with people, cafes, green space and cats and dogs to show the usage with such clarity that everyone had the same shared vision of what it was going to be like?

in a number of future articles, I'll start describing what the IT Blueprint could be like to give all project members, from the executive to the project manager, to the vendors clarity of what's got to be done.

Meanwhile, here are some tough questions to ask your ERP vendor:

- ◀ How easy and cost effective is it to embed my unique business processes into the ERP?
- ◀ I want my staff to demonstrate specific behaviours to our customers. Show me how I can do that in the processes and user interface
- ◀ Prove to me that your out-of-the-box processes are faster and better than what we do now
- ◀ Show me that we can easily change our processes to respond to new directions in brand, experience and the market
- ◀ Show me how your processes reflect best practice in the domain
- ◀ Show me how simple it is to enter a purchase order

If your ERP vendor can't answer these questions with clear demonstrations, easy and inexpensive modification of the system or unambiguous performance metrics to compare yours with theirs, then you might want to consider an alternative approach.

1.6. Check out your own ERP system

The best way to check out how well your ERP is working is to think back to the last time one of your staff members personally (and genuinely!!) thanked you for the system they're using.

But seriously, walk out on to the floor where your product and service delivery staff work and ask them these questions:

- ◀ What's our brand promise? What do customers really want from us?
- ◀ Show me how our ERP / productivity system helps you deliver on the promise?
- ◀ Show me how our ERP clearly guides you through the product and service delivery processes?
- ◀ How much time do you spend working with the system compared to working with the customer?
- ◀ Are things easier and faster with the ERP than they were before?

- ◀ Are we using the same system as our competitor? How easy is it for us to provide differentiated and relevant products and service? What do our customers think?
- ◀ Have our customers thanked us for the experience we provide with our ERP?
- ◀ Have our staff thanked us for the experience they receive with the ERP when using it for HR and other transactions?

If you're not happy with the answers, then it's time to reconsider how you use your ERP in a way that lets you run your business competitively.

2. About the Author

Craig Errey is the Managing Director and founder of Solve Group (T/A PTG Global). Solve is a leading business technology consultancy that designs and delivers IT solutions that work the right way, first time.

Craig has nearly 20 years in user experience, user interface design and change management.

He has been the primary architect behind the business-critical services and transactions essential to many of Australia's most popular websites including CBA, Virgin Blue and ASIC, and also works on cutting-edge technologies such as touch, medical and special-purpose applications.

Craig manages Solve's R&D function and has produced a number of world-firsts, including XPDesign – the first systematic methodology for user interface design – and Certified Usable – the first guarantee for usability and user experience.

Craig is a member of the Australian Psychological Society and the APS College of Organisational Psychologists. He holds a Masters in organisational psychology from the University of NSW and is also an Associate of the UNSW and Macquarie University.

As a registered psychologist, he understands the way people think and creates user interfaces that are simple, user-friendly and effective. His expert insight into technology and how it is used has been called on by media outlets including The Australian, SMH, 2UE and the ABC.



Contact Craig on:

Email: craige@ptg-global.com
Web: www.ptg-global.com
Blog: www.ptg-global.com/craigsblog/
Mobile: +61 (0) 416 266 216
Phone: +61 (0) 2 9251 4200
Address: Level 16, 207 Kent St, Sydney, NSW, 2000, Australia