

The CEO and ERP Solutions



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Technology – specifically the correct evaluation, selection and deployment of it – can be a game-changer for Manufacturers and Distribution businesses of all sizes. Because the role of technology is tied tightly to the success or failure of their businesses, getting it right ultimately becomes a top priority for CEOs. This is particularly true for enterprise resource planning (ERP) software selection and deployment, since it gives CEOs the unique ability to build on their past successes, modify those things that have become a net drag, and create a path forward for future opportunity.

Why ERP?

The fundamental importance of having an ERP system is to use software as a tool to take complexity out of daily operations. Company management often has an inherent inability to make the correct business decisions without having the right toolsets to do so. What an ERP system does is take huge volumes of data and makes that data into useable information to drive the company to operational efficiency. ERP can provide flexibility and enable a single view of the truth across single and multiple locations whether they be manufacturing facilities, distribution centers, warehousing, sales offices locally or globally. ERP also greatly reduces the time in informed decision-making. From a CEO's mindset, an ERP system has to be a backbone tool to house all information that will enable the ability to ensure cost-effective production, ontime delivery and exceeding customer expectations.

ERP encompasses all business processes and functions, and therefore both its breadth and implications are far reaching. A comprehensive integrated ERP solution makes it possible for the CEO of a manufacturing or distribution company to more easily gain visibility and control over multiple facets of his or her organization. While sophisticated and complex at its foundation, the ultimate usability and usefulness of an ERP solution varies greatly from vendor to vendor. A wide variety of factors can drive value and return on investment (ROI) more quickly, beginning with a single architectural foundation versus solutions built from multiple different source systems.

For many CEOs, the right ERP solution can serve as a multi-faceted vehicle to realize their vision for the company and drive it forward. For others who have not moved beyond basic technology, or who have selected the wrong ERP partner in the past, the path forward can be both cumbersome and expensive. For example, the solution can fall short of expectations, not be readily adopted by critical workers, or require technical patch after patch to work effectively within a given environment. It's no wonder that some CEOs defer involvement in selecting a new ERP solution to their technical staff, but as this paper will demonstrate, there are many good reasons why CEOs should be involved in this critical decision at the outset. Because ultimately, it is the CEO that stands the most to gain from the success of ERP deployment.

Here are just a few of the benefits that accrue from having the ERP solution that is right for your business:

- End-to-End Company Visibility of All Key Fundamentals – Financials, inventory, operations, sourcing/supplies, service/support obligations and statuses, etc.
- Decision-Making Support – The ability to act on all of this critical information quickly and with favorable profit and cost ramifications.
- Customer/Market Responsiveness – Trends, issues and/or sales or service opportunities are quickly identified and made actionable.
- Business Process Automation – Removing manual processes and inserting standardized alerts on key performance indicators can be the difference between running in the black or the red.
- Auditable Compliance with Government/Industry/Financial/Customer/ Partner Regulations – This can range from legal regulatory reporting, to product recalls, to adherence, to contract terms.

When Current Technology is NOT Doing the Job: The CEO's 10 Reasons to Consider a New ERP Solution

Have any of these elements, below, occurred within your business over the past 6-12 months? And has your current technology solution been able to keep up? If not, you are likely ready to upgrade to your first ERP solution, or perhaps consider a better ERP technology partner:

- 1. Product Adjustments** – You've expanded beyond your original product line – or added significant new features/capabilities, any one of which now requires better tracking/monitoring/activities.
- 2. Management Innovation** – You've had a change in ownership or management and now have some exciting new ideas for improving operations, service or capabilities.
- 3. Channel Change** – Your distribution channel has changed or expanded (or you wish to expand) either by target audience type or geographic market.
- 4. Supply Chain Adjustments** – Your current suppliers and/or partners are too costly based on other alternatives – or you would like to have the data and analysis capabilities to compare/evaluate other options.
- 5. New Hires** – Your employee base has grown or contracted, requiring accounting and payroll adjustments, plus user changes.
- 6. Regulatory Change** – Your industry has new/changing regulations and/or you need additional trace or audit capabilities.
- 7. M&A** – You've undergone a merger or are considering one.
- 8. Facility Adjustments** – You've outgrown (or need to downsize from) your current facilities; this may involve adding or consolidating plants/facilities – scalability up or down is a priority.
- 9. P&L** – Your margins are shrinking, either based on growth or industry/business change, and business process automation is critical.
- 10. Competitive Response** – Your competitors are outpacing you, or you want to accelerate your operations to change the game or widen the gap.



What Role should CEOs Play in ERP Selection/Replacement?

Selecting the right ERP solution and deploying it with a minimum of organizational stress should be a priority for a CEO of any size business. This does not mean that this process should replace a CEO's routine or responsibilities; it means leading the organization to embrace a commitment to change systems and a commitment to doing things differently. Experienced CEOs know that this is no small feat and that leading this culture of change starts at the top.

Another critical role of the CEO is to ensure that his or her technology selection team recognizes the importance of selecting an ERP vendor that has deep, proven experience and a track record of success in YOUR size company and in YOUR industry. ERP giants like SAP and Oracle and their tier 1 products have large install bases of multi-billion-dollar "tier one" customers. They would like to convince the mid-market that this knowledge is easily transferable down market – but it isn't – primarily for these three reasons:

- **Financial Considerations** – Smaller companies can't afford to make an ERP selection mistake and a do-over. Error-ridden, delayed deployment cycles can kill ALL the profits of a mid-sized business.
- **Mid-Market Values/Considerations** – Priorities and choices made by CEOs differ based on business size and other factors. Small choices can be pivotal to mid-sized organizations and can make a faster difference competitively.
- **Service Partner Considerations** – There is nothing more frustrating to a CEO than a large vendor that is inflexible, difficult to reach and/or work with after the purchase. It is not an option for a mid-sized company to have, for example, an order entry or inventory controls system "down" for even a few hours.

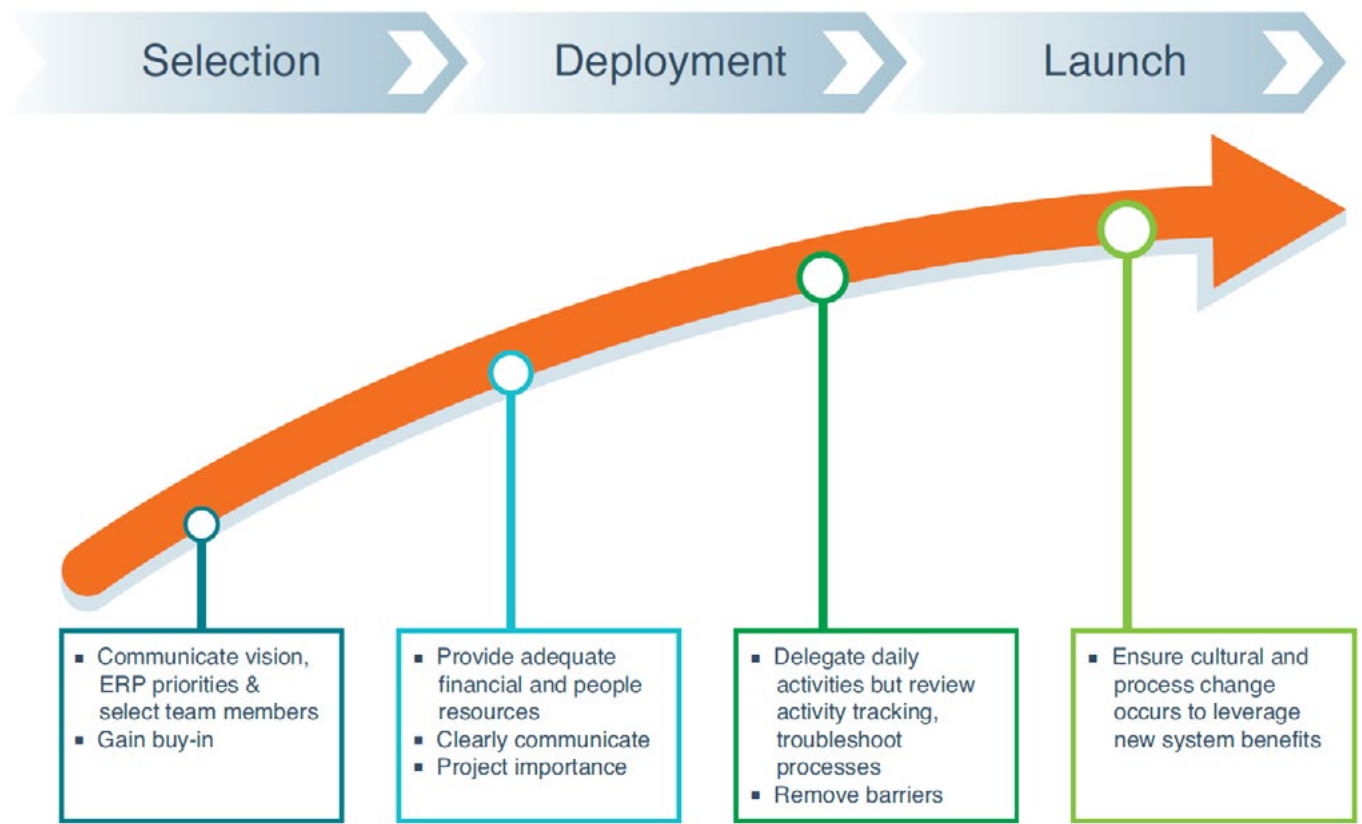
Often times, marketing hype can overshadow the reality of a vendor's offering or experience. For example, selecting an emerging ERP cloud (only) vendor, many of which have nascent R&D and marketing funding, may often deliver comparatively limited experience in serving the manufacturing and distribution community. Having an ERP vendor that can offer both cloud and on-premise options ensures flexibility and resilience that has stood the test of time and, therefore, is a safer, more pragmatic choice for mid-sized manufacturing and distribution organizations.

The success of an ERP deployment hinges on many factors, but starts with the CEO's vision. The type of CEO leadership needed for ERP selection, implementation and 'go live' launch is a function of quality time, not quantity time. It also is an exercise in organizational leadership convincing both line and staff employees of the importance of adhering to a proven set of deployment and training activities.



The ERP Trajectory to Success – CEO’s Responsibilities

Taking your manufacturing or distribution organization to the next level of growth requires a strong, integrated technology foundation, which includes a well-matched ERP solution from a trusted vendor. The CEO plays an important role, including the conveyance of a clear vision, buy-in from critical stakeholders, a sense of urgency/commitment to follow proven processes and leadership in the cultural change that accompanies successful use of a new ERP solution.





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