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Leverage Your ERP System for Bottom Line Business Results

In my conversations and discussions with clients, bankers, CPA's and business contacts, I have a different picture than is presented in the news and is implied in recent stock market performance. In my view, there is a stabilization; however, this "new normal" business environment is one characterized by lower sales levels, a constant focus and concern on liquidity and a lack of accessible credit. In general, profit is beginning to edge up due to cost cutting; however, there remains a significant gap to goals. Therefore, it is imperative to continue to search for ways to free up cash and improve profitability with minimal investment. Leveraging your ERP (Enterprise Resource Planning) system is one option.

Unfortunately, in the vast majority of my client projects and business experience, when a business problem or need arises, the immediate thought is, "If only we had XYZ ERP system, everything would be fine." In my experience, in 80%+ of the cases (with the 20% typically being merger and acquisition scenarios), not only would a new ERP system not resolve the business problem or address the need but it also typically results in significant added cost and anguish without a commensurate benefit. Thus, instead of throwing out your flat screen TV because the remote is not functioning as you desired, consider adjusting the remote.

In my experience across multiple industries and globally, companies typically are utilizing 20% of their ERP systems capabilities. Thus, a better option which doesn't require capital investment or major disruption is to leverage your ERP system. I've found three keys to success in leveraging ERP systems: 1) Begin with a focus on data integrity. 2) Develop reports and metrics for effective decision-making. 3) Focus on leveraging your ERP system with your key business drivers.

1. **Begin with a focus on data integrity:** Interestingly, I find that the majority of business problems which result in thoughts of dumping the ERP system have nothing to do with the ERP system; instead, their root cause is in a lack of data integrity and process discipline. Garbage in. Garbage out. Improve data integrity and process discipline and there will be a direct, immediate impact on results.

For example, in one client project, we had an inventory accuracy issue. Although leveraging the ERP system (by implementing cycle counting and bar coding) was part of the optimal solution, the main cause of inventory inaccuracy was a lack of process discipline. In this case, there were physical inventory movements (such as warehouse transfers) without completing the system transactions in a timely manner. Thus, no matter how expensive and fancy the system, it would have no idea where the inventory was located.

2. **Develop reports & metrics for effective decision-making:** One of the easiest and quickest solutions is often overlooked. Yet, once process disciplines are in place, any ERP system will contain base data (shipments, receipts, inventory etc). As I said in a quote in December's Industry Week magazine in an article on optimizing supply chain systems, the key is to leverage the system by utilizing system data in the format of reports and metrics. This provides information for effective decision making.

For example, there are several critical reports which are key to any business such as the following: booking report (measures orders booked), shipment report (measures shipping performance and trends), inventory report (shows inventory quantities and dollars), cash report (shows changes in cash position), etc.

3. **Focus on leveraging your system with key business drivers:** Instead of trying to utilize the 80% of the system you typically are not using, FOCUS your efforts on your key business drivers. In other words, if revenue growth is critical in your business, focus on understanding and leveraging the functionality associated with sales. Or, if your #1 cost driver is materials, research how to utilize your ERP system to better track waste / scrap levels. In essence, this prioritizes your attention on those areas which will have the most significant impact on your bottom line. Put together a team focused on these areas, bring in system experts, involve I.T. (consider I.T. as a business partner), and put together a plan to leverage your system.

Those companies and people who thrive during the "new normal" will be those who figure out how to combine their people, processes and systems in the optimal way to achieve results. Why not get ahead of the crowd and think about how you can leverage your system to derive a competitive advantage?

Lisa's Tips: Tips for the Holidays

The holidays are always a crazy time. It seems no different this year. If anything, people will be even busier, as they want to make up for lost time during the recession and be prepared to ensure a prosperous 2010.

1. Remember your relationships: It's easy to get so busy that you go through the motions. Remember, relationships are #1 to business and personal success. The holidays are a good time to nurture them.
2. Don't plan to 100%: By this, I mean do not plan every hour of your day. Instead, intentionally set aside time between meetings and calls. This allows for the unexpected - during the holidays, the unexpected should be expected (and planned). Give yourself time to breathe.
3. Find a way to help someone each day: If one of your goals is to find a way to help someone or provide value to someone, you'll not only enjoy the holidays more but you'll also make a difference.
4. Look at the bright side: Everyone has the relative or friend who jumps immediately to the worst possible conclusion or meaning of an innocuous statement. Instead, think positive first. I've found it to be rare that the negative meaning was intended yet it creates havoc. Jump to the positive!
5. A daily compliment: Be on the lookout for people and actions to compliment. You'll be surprised how searching for someone to compliment each day will improve your holiday season - and theirs.

Recommended Reading

["Blink"](#) by Malcolm Gladwell - an interesting book on the power of thinking without thinking. It also provides insights into how to become a better decision maker.

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