

The Strategic Importance of ERP (Enterprise Requirements Planning)

By Robert Gilson

Be forewarned, I'll admit it, I'm an ERP true-believer. In more than forty years of designing, selecting, and implementing ERP systems I've seen it all, the tragic company-survival threatening projects as well as the company transforming (in a good way) projects. I won't sugar coat the difficulty and stress of new ERP projects but I know of no companies that have grown and thrived without some type of system often maintained by underappreciated IT genius's that we should pay a large annual bonus if they sell the motorcycle and not take up any risky ventures.

But why do I believe ERP is strategic in nature? Well for one, all the inputs to a manufacturing firm have largely been



commoditized. Materials, machinery, floor space, labor, and supplies are sold in a near-perfect marketplace and no one firm has any real, sustainable advantage from a cost standpoint. What primary element of manufacturing success have I not named? Management. Good management. Great management. Management that makes decisions based upon good information about sales and costs and customers and suppliers and products. That's where ERP enters the picture. It is the ultimate source of information that informs and enables management to make consistent, fact based

decisions.

Then there are the ever increasing demands of customers and stakeholders and government entities for more information and system capability. If you're doing business with big box stores or tier one A&D customers you already know the IT system demands. If your company aspires to successfully work with these customers your systems may be a substantial barrier to entry.

Better yet, it is a superior exception messaging system; it can be a virtual network of feedback on each and every transaction or event that occurs in the manufacturing firm. I recall a study of the number of decisions or events that could affect financial or operations in a \$200M dollar manufacturing firm, the number was an astounding 190,000 events per day! For example, a customer wants to cancel an order. How many activities might be set in motion with that one change? Stop a shop order from being released? Cancel that overtime that was needed to fulfill the order? Don't order or de-expedite material required? Stop an order for tooling? And the truth is the change of any of these other named activities also impacts the ability to satisfy the customer order which as we all will agree in these times is one of our most valuable assets, namely a happy customer.

So in reality many companies are successful and profitable without an ERP system but their growth is limited by the ability of the management team to somehow keep track of the 1,000's of changes that occur each day and then take the appropriate actions. Another consideration is the notion that ERP is a repository of the firm's knowledge and that protecting this competitive intelligence is critical with a mobile and maturing workforce.

CMTC salutes those of you who have chosen the difficult and often unappreciated work that goes in to making a manufacturing company prosper and we have built our consulting services around helping you stay successful. To that end we have developed an IT assessment tool that will help you understand and answer key strategic questions about your Information Technology situation. Are you spending too much, are you getting the value from your investment, what will a new system cost and many more of these questions can and must be answered?

If you'd like an assessment of your IT situation and whether you need an ERP system (or CRM, transportation management, warehouse management, document management, business intelligence, PLM or any business system), or getting the most from your existing ERP system we have the tools and expertise to help you with these important, strategic concerns.

Robert Gilson brings more than 30 years of experience assisting small, medium and large manufacturing companies in achieving their objectives. This includes growth, cost reductions, and developing world-class systems and processes both foreign and domestically. He has extensive experience in industry verticals including aerospace and defense, automotive, food and beverage, electronics, telecomm, entertainment and consumer products.



If you are ready to take the next step with your IT Strategy, please contact Robert Gilson (rgilson@cmtc.com) for a copy of the IT Assessment and Benchmarking tool. Our expert analysts will provide valuable information about your current state that will allow you to set in place an action plan that will move your firm to the next level.