

## How would your ERP look like?

*How management styles influence the course and success of ERP*

You may be in business for a long time, and your balance sheet is growing each year. Yet, you are still undecided whether you would move from accounting software to an ERP. In my experience with small and medium firms, I have come across varied management psychologies that play a role in this. Some firms bring in ERP when they sense loss of control; others feel it may be more efficient. There are also a few who believe ERPs may lead to new business opportunities for them.

Yet, every ERP implementation concludes in the following two – dashboards and workflows. But not all ERP implementations, irrespective of the software, get both of these in same proportion. It is because ERP implementation is a reflection of management style. So what are the styles that influence?

### **Management by control**

SME entrepreneurs are natural control freaks unless they have changed their disposition with time. There is nothing wrong in this. Past history of entrepreneurial success had led to personal exertion being a way of life for the promoters. Yet, this style is challenged when the business grows beyond hundred people. Delegation takes over and visibility of operations decreases. The decisions are loose but fast. Most threshold medium size businesses fall in such a state, where flexibility and visibility of operations seem to be at odds.

I find most SMEs are seeking ERP at this point to bring in more control over operations. The act of delegation is closely flanked by added processes, wherefrom top management gains involvement through the system. Such processes may not be conducive to fast decision making, but gives a feeling of control to the management.

I think this is fair, but it depends on the nature of the business. For a firm which is into more diversity in operations, the promoters are fair to be concerned about how sincerely and honestly the calls are being made. Hence, the ERPs are implemented to make the decision loops longer, so that they traverse the owners more frequently.

Hence, I am not surprised when I find ERPs concluding in an array of workflows touching many heads; the number of dashboards offered is relatively less. For right at the outset, the ERP was meant to be a decision making system, instead of a decision support system.

### **Management by exception**

Management by exception may seem to be a more mature style. It usually takes over when a business has proven processes. For SMEs, it may mean when it crosses the threshold of small to medium. However, I feel that a firm's ability to truly manage by exception depends on the nature of the business. For industries where operations are repeatable (made to stock firms), processes are usually more predictable and can be laid down in rules. Management then intervenes only when there are variations from the normal. ERP is brought in to set systems that can trap exceptions.

In large firms, this is followed in a more sophisticated way. Processes are defined to be "declarative" about the variations they encounter. ERPs are built on top of systems that can behave in this fashion.

However, for SMEs, the scope of the ERP is limited, and IT investments are modest. I see SMEs managed by exception rely heavily of dashboards. They define reports to be crisply telling them where the business would either go wrong or seize a new opportunity. In fact, the dashboards built could even be multi-channel – where the system could contextually report information and summaries on email and mobile.

## Why not try both?

Is it possible that a business setups its ERP that implements workflows and decision support dashboards with equal rigor? The real question is, would they ideally need both at the same time? If you have the right dashboards that tell you what went wrong, why would need to intercept processes with workflows and micro-manage? The converse is equally paradoxical – if you have managed all the decisions taken by your firm through workflows, then dashboards are mere pages of history.

Workflows are preventive – risk being the essence. Yet, it can easily be the micro-manager’s arsenal. Dashboards are introspective – opportunities being the essence. Yet, it could easily be questioned on its completeness. How common it is that one finds none of the reports in the ERP conclusive, despite it making rigorous efforts to haul every data it could encounter. There is always the anticipation of a magical report that could tell everything. In reality, most dashboard implementations of ERPs in a micro-managed environment have suffered from the *Meno’s paradox* – which says, if you know what you want, you don’t need to find it; and if you don’t know, you do not know what to find!

In reality, dashboards and workflows do not co-exist in the same context of operations. There are sections of your business where you would like to control risks. Workflow is one way to keep a constant eye on that part. There are other places of your business, where you may smartly delegate. A couple of dashboards can help you manage the delegates purely by performance. That’s the bottom-line.

So when you decide to implement ERP, do decide your management style. For, that would decide the course of the ERP.

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