Summary
David Ogilvie's CEO Roundtable

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Summary of David Ogilvie's CEO Roundtable Lunch

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The importance and vital role an ERP system can have on a business was discussed and how, if implemented correctly, they have the capacity to skyrocket business performance into areas previously unknown. I gave the example of one business I have consulted with that had achieved ten times multiple in revenues with little increase in staff head count, purely on the back of improved business processes and use of technology.

I spoke about how when choosing an ERP system most executives begin the journey at the wrong starting point. Many simply reach out to the market and start conversations with software sales people rather than examining why they are doing this or looking at what they actually need. This is a key reason why the ERP industry has an 85% failure rate. Something I am on a mission to change.

I spoke about the "Three W's of ERP" which are critical components of starting an ERP journey. There are three fundamental questions executives should be asking themselves and their business before they take any steps on an ERP journey. Those three questions are:

1. **Why** are we doing this? What real issues are we trying to solve here? More importantly are we trying to solve today's issues or support tomorrow's organisation?
2. **What** is it we really NEED? Most executives look to solve today's issues and therefore restrict their functional wants to functions that will solve those problems. Rather a focus on strategic direction and what functions are required to support and enhance tomorrow's capability is more important.
3. **Who** are we as an organisation? Are we an accountable firm? What is our political environment like? Will our culture enhance or hinder an implementation?

These three questions should open up significant discussion within a business. It is my experience that most levels across an organisations are not on the same page when it comes to the answers here. If this doesn't open up that discussion, then there is a first warning signal that perhaps you should not be undertaking this project.

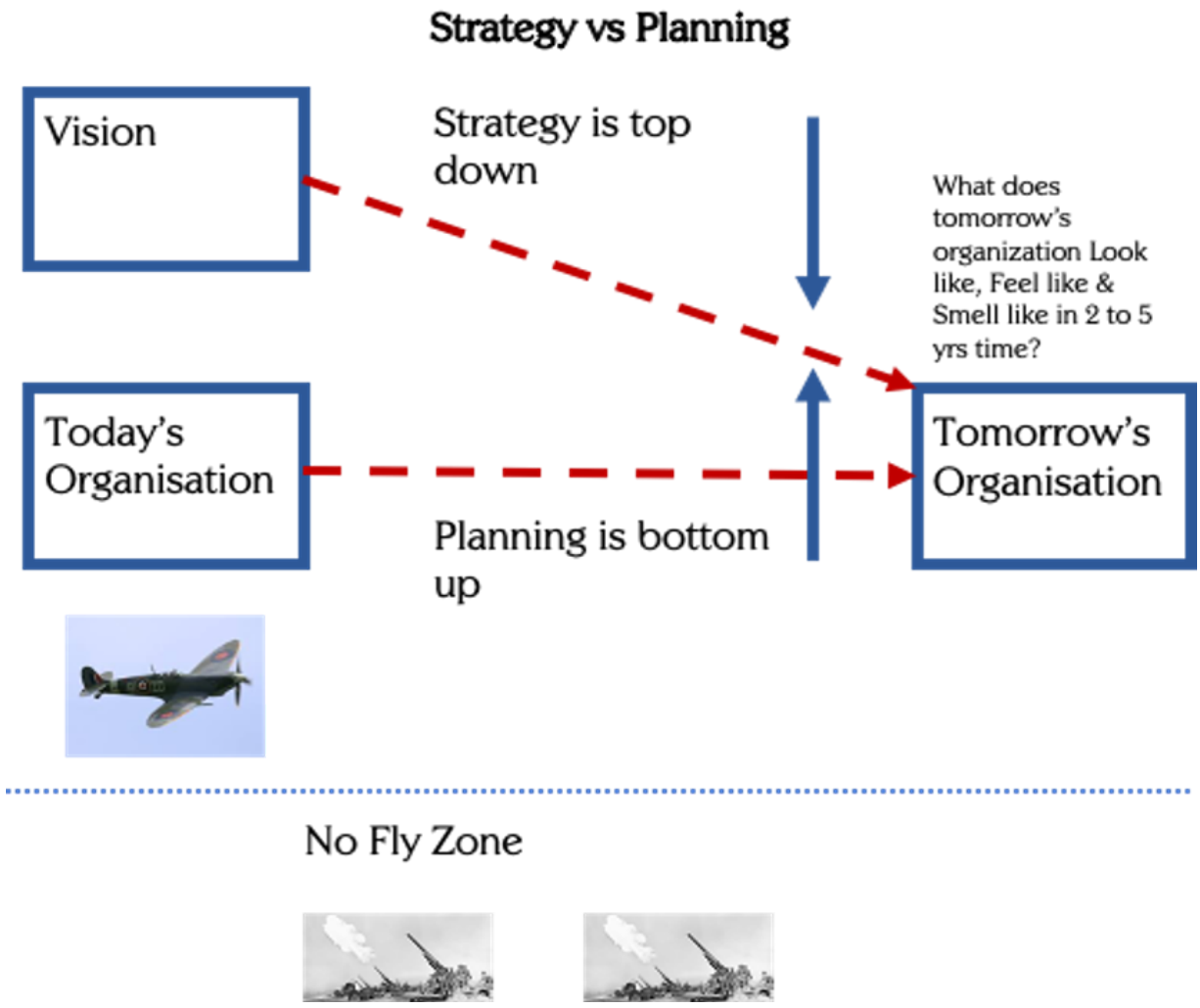
We spoke about mindsets and how most individuals come to any situation with a predetermined mindset, not by malaise but by default. To illustrate the point, I asked the group to name the reasoning behind this string of numbers. Now using the honour system, give this some thought before you read the answer.

8 5 4 9 1 7 6 3 2 0

I asked the group to explain the thought process they used to identify the answer and everyone – both men and women – indicated they had used some maths formula or pattern recognition technique to help them. The correct answer is of course, they are in alphabetical order. What this shows is we default to a way of thinking when presented with a problem when in fact the correct answer lies in a different way of thinking. So it is with ERP. We have a regular pattern and a failure rate of 85% so why on earth do we continue to follow what has been done in the past?

One of the key differences in approach I want to suggest is that we revisit corporate strategy before we consider ERP. I then went on to discuss what is strategy, because many different organisations get confused as one often hears about companies holding strategic planning sessions. Without trying to make a distinction without a difference, I firmly believe there is a significant difference between strategy and planning.

Firstly, let's define what a strategy is. "*Strategy is the framework in which decisions are made that establish the nature and direction of the business.*" This definition is important because when running strategy sessions, I am constantly surprise by how little consistency there is on what strategy is and what is to be achieved from a strategy session. Strategy is all about what tomorrow's organisation will be like.



Strategy is top down. It is about designing the company of tomorrow. What does it look like, feel like and smell like at the end of your strategic window? (Often between 2 and 5 years in duration.)

When running strategy setting sessions my experience has been that it is important to differentiate between strategy and tactics. Too many good ideas and potential strategies get shot down by the detail or tactics. An idea is said not to work because of … insert reason du jour. Because strategy is top down, when you land on the right future direction for the company, then tactics should not prevent it being the strategy. Strategy is the "WHAT" and tactics is the "HOW". I portray this in the bottom of the diagram above where the strategy design thinking has to stay above the "No Fly Zone[1]" to avoid being shot down by tactics. Of course planning is important, however not in the strategy development. It is an implementation task not a development task.

Developing your strategy is a process. There is no one ideal moment and the process can be managed. This is often best facilitated by someone external to the organisation, particularly when this is being done as a precursor effort to selecting an ERP system. As outlined in the diagram above, the initial fundamental matters to fully understand are your corporate values and beliefs. Values and beliefs are inputs to your company culture, that is, those values and beliefs that drive behaviours in the business. These will help you determine what the mission is for the business.

After developing and progressing through various versions of transition strategies, you eventually test and validate the one you settle on, finalise it and communicate it throughout today's organisation with the view it will change behaviours to develop tomorrow's organisation. It is through this process that you identify and leverage the driving force for your business. It is during those discussions around what the business will look like, feel like and smell like in 2 to 3 years' time that everyone brings up all the critical issues why the strategy cannot be achieved. When I facilitate these strategy sessions, I park those on a critical issue list. As I mentioned before, they should not be the reason a great strategy fails to develop. Strategy is the What. Critical issues are tactics, the How.

Implementation of strategy is of course where this process regularly breaks down and where I often help organisations the most.

As I just mentioned, the strategy you settle on will be significantly influenced by the nine strategic driving forces[2]. Many people have not heard of these driving forces. We then discussed each of them individually.

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1. Adopted from the work of Dr Alan Weiss
2. Based on and adopted from the work of Tregoe & Zimmerman

#	Driving Force	Explanation & Example
1	Products & Services	An organisation with this as its driving force has the concept of products or services sold by the business are key to its future. Products are defined as an individual or line of products with common characteristics such as functions performed, customer needs satisfied, size or form. Any new products or services will have characteristics similar to those existing. This business will target new geographic areas with the same products/services. Example: Ford, Toyota and most organisations
2	Market Driven	An organisation with this as its driving force has the concept of a range of products or services to fill current and emerging needs in a market segment. The company will constantly be looking for new ways to serve a market. A market is defined as customers or end users who share common needs. Example: Gillette, Elders and Union Movement
3	Technology	An organisation with this as its driving force has the concept of only products or services that emanate from or capitalise on its technological capability. Example: Apple, Dell & Intel
4	Production Capacity	An organisation with this as its driving force has the concept of only producing products or services that emanate from its production capacity. These organisations are typically long run, big batch type organisations. Example: Steel and aluminium companies
5	Method of Sale	An organisation with this as its driving force has the concept of the method of sale as its determining factor around what products or services it provides. It may sell products from other organisations to maximise its method of sale driving force. Example: Avon and Amway
6	Method of Distribution	An organisation with this as its driving force will determine the products it sells, the customers it sells to and the geographic scope on the basis of its method of distribution. Examples: McDonalds and Supermarket chains
7	Natural Resources	This driving force is self-explanatory, the company will develop its products and markets based on its natural resources. Examples: Shell and De Beers Diamonds
8	Size/Growth	An organisation with this as its driving force determines the scope of the products it offers, the markets it serves and geographic scope from its desire to become larger or smaller. An organisation that wants to grow within its current product and market scope is *NOT* a growth driven organisation. Size growth is never a long-term driving force it is always limited for a period of time. Examples: Virgin Australia
9	Return on Investment	An organisation with this as its driving force will base its products and market served decision simply on the return it will receive. Examples: General Electric

A key point to understand about strategic driving forces is this: **Your business only has one driving force**. It may display features of others but when it comes to decisions, there is only one driving force and it is it important to identify it correctly.

This is important to those considering ERP projects in particular because a key mistake by many is to choose a product that solves today's problems. When what is really needed is a full understanding of what the business will be like in two to five years' time and select a product that will provide or enhance those capabilities and competitive advantages then – not now. The actual functional requirements behind a size growth driven company is different to those required by a market driven company.

Likewise, the difference between a discrete and a process driven manufacturer is significant. If you are a manufacturer that has a size growth driving force, for example, it would be possible for you to utilise both manufacturing methodologies if you were to either move into or acquire a business in another market. However, it is rare for software to be strong in both areas; they tend to have a strength in one over the other. And so by deciding to make that acquisition which fits perfectly with your strategy you end up with a nightmare if the ERP systems do not align.

This is one key reason why strategy development is important before you look for an ERP system. However, most executives do not do this; they simply charge out and start talking to software vendors without truly understanding what it is they want or more importantly need.

There is one last principle of strategy that everyone needs to be aware of to ensure one leverages their strategy to its fullest capacity. That is the concept of your strategic profile. The world is constantly changing. Heraclitus, a Greek philosopher, has been quoted as saying "*change is the only constant in life*."

And so it is with strategy. The world around us changes and it is important for us to understand our place in that and the concept of our strategic profile helps us determine that.

At its heart a company can be in one of four positions in a market. I have only displayed three of them here. Those positions are: you are competitive, distinct or have a breakthrough position. The position I have not shown here is uncompetitive. Clearly if you are in an uncompetitive position, then serious changes need to be made.

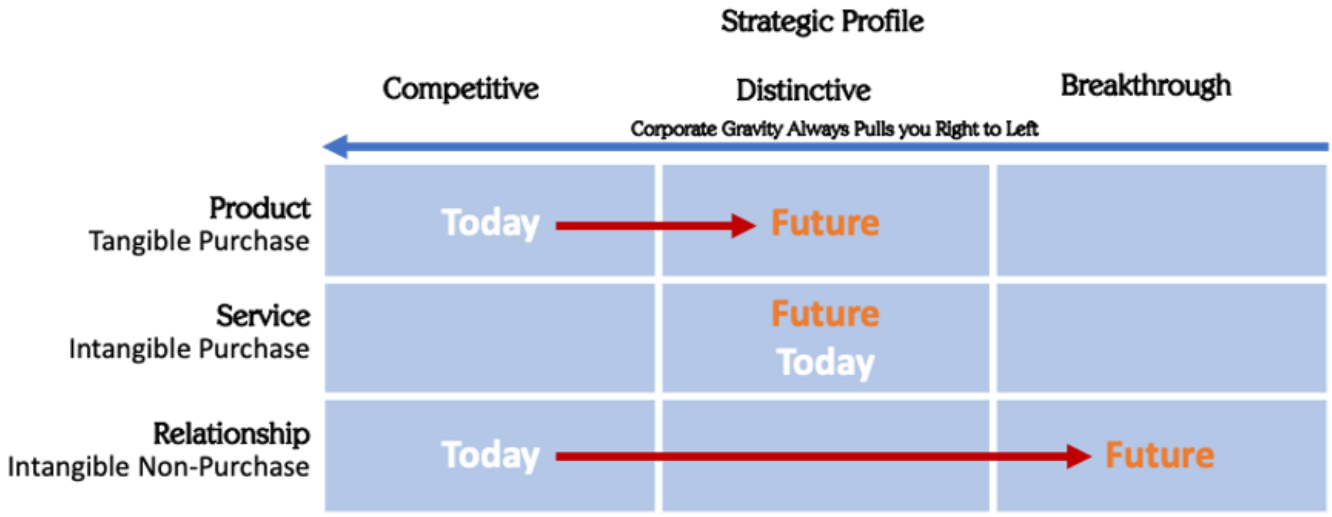
You can be in different positions for the products you produce, the service you provide either around those products or not or in your relationships with others within your company's circle of influence. This includes customers, suppliers and internally with staff.

This concept is depicted in the diagram below.

The key steps to effectively use the strategic profile are these:

- Plot where you are today in each of the categories and then give some thought to where you want to be at the end of your strategic horizon.
- Understand that the very nature of business means there is a gravity that pulls you from left to right. Even if you are standing still, you are being pulled to the right.

This concept of a gravity pulling you left to right is best explained with an example using Apple's original iPhone. If Apple were to release the original iPhone today it would not be a breakthrough product as it was when it was first released. It would at best be considered as a competitive product.



What this shows is the only antidote to this gravity is innovation. Whether that be on the product, service or relationship front. It is important to note here that it is NOT a necessity to be breakthrough on every front. In fact, a company does not need to be breakthrough on any front if they don't wish. You need to be where is best for you.

The relevance to ERP here is once again about how the system chosen supports and enhances your positioning. Hence in order to choose the right ERP product for your strategy, your strategic profile and for future requirements it is necessary to have these clear in your mind BEFORE you go to market and to use them in your considerations and deliberations when selecting your new ERP system. Too many organisations simply use the refrain of solving today's problems as the basis for selection. This is, in my view, a key reason why 85% of ERP projects fail. We want your project in the 15%.

I often tell the analogy that speaking to ERP software vendors without preparation is like sending your fourteen-year-old daughter with a blank cheque down to a used car yard with instructions to buy a car and wait until you see what she comes back with. With all due respect to those good people in the software industry, it really is full of sharks all wanting to feed on the juicy commissions payable on a sale. They will certainly not be looking out for your best interests.

There is a lot of work to do before you go to market if you want to be in the 15% of projects that succeed. I have developed an *ERP Success Plan* that has a number of different components including:

- "*Sound Strategy*" Development
- "*Sure Select*" ERP Selection
- "*ERP Success Formula*" Implementation
- "*ERP Success Formula*" Project Health Check

If any of this resonates with you, reach out to me for a confidential conversation on how I may be able to be of assistance to you.

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