

## Perfect Stock Management

Seven branch offices of Adamas are 'live', the others will soon follow. "Because the double entry of order data is no longer the case, we can immediately see man-hours being released. The balanced order flow and better provision of information are also big advantages. The central articles database ensures that all our branch-offices are working with the same article numbers. Tracing an order is easy and we have a better picture of the progress of the process. The inter-company entries are running automated via the Electronic Data Interchange component of Watermark. This results in gain of time and

adjustments. The integration with Microsoft Office is a big plus for us. It is, for instance, very easy to compile a mailing. In addition, we are planning to link Microsoft Business Solutions Navision to the software of our transport companies. The simple periodic reporting of financial and production figures means considerable time gains."

## Growing Along

With Microsoft Business Solutions, Adamas has a multi-company ERP package, with which the company expects to be able to grow further. "We



balanced entries. In addition, we have a perfect stock management. In our old system sometimes we 'lost' articles in an administrative sense (because of the usage of wrong article numbers), which is now a thing of the past. The order that one subsidiary has sent is actually received by the other. Apart from having a better insight into the stock, it also delivers saving in costs since less and less we need to sort out things afterwards."

## Flexibility Is A Plus

"Microsoft Business Solutions Navision is so flexible that we can filter data very precisely. We can print them by the day or by the week. We are realizing simple customer-directed

are a company in the middle segment and Microsoft Business Solutions is a specialist in that market. The developments at Microsoft Business Solutions do not stand still. We also expect Watermark to grow along with the market. The most important thing for us is that we can maintain the quality service to our customers and can even improve it."

The essence of good implementation is clearly defined business processes. Adamas has chosen the middle path to address the problem of changing over by partly redesigning their processes with Microsoft Business Solutions.

While on the other side, the new solution adapted according the processes of Adamas in part via customizations of the system.

"Adamas is increasingly aiming at international markets, where clients have to know that there is also a solid organization behind our innovative products. Important to this are quality management and controllable logistic movements. We are focussing on swift response to clients, regarding their orders and times of delivery of our products. To serve our customers even better we are planning to integrate Microsoft Business Solutions with our website, which plays a very important role for our daily operations".



Having adopted Microsoft Business Solutions, Adamas has been able to simplify and streamline their operation throughout the Group. This has yielded many positive results for the company.

### Technical profile:

**Name of customer:** Adamas Holding B.V.  
**Country:** The Netherlands  
**Customer industry:** Manufacturer of Diamond Tools  
**Implemented solution:** Microsoft Business Solutions Navision 3.01  
**Hardware:** HP/Compaq  
**Lifts since:** January 2002  
**Number of employees:** 125  
**Web address:** www.adamas.nl

Dr. Mark J.G. Govers, University of Tilburg



# A Different Perspective

## SME solution ERP to help large companies

ERP helps organizations to improve themselves substantially, but in practice those improvements are not easy to realize. This can be explained, says Mark Govers, by the control philosophy hiding behind ERP which results in a low capacity to deal with changes and too much complexity in organizations. According to Govers, there is another philosophy possible.

ERP offers many good things. For instance, process and operating models with which organizations can improve themselves tremendously. In particular the logistic and financial sense processes can be optimized. The necessary business processes and the furnishing of related information must then be integrated within the ERP. An absolute requirement for this is standardization of processes and data. It is in particular the managers who have high expectations of ERP: costs savings both in administration, logistics, personnel and ICT. At the same time, the degree of service and the manageability of the organization must increase. Realizing these expectations turns out to be rather difficult in practice: most ERP products fail partially or entirely, or the desired, promised and/or necessary improvements remain forthcoming.

Why? Different factors play a role, varying from the quality of the implementation process, power processes during implementation to the aversion of people towards

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changes. ERP practice recognizes these factors (too). It is a common belief among ERP practitioners that improving the project management and implementation method will make an ERP project more successful. It is certainly true that improvements can be realized in this way. ERP implementations are increasingly being regarded, and quite rightly, as an organization change. It is no longer about getting a technical system running but about people in an organization learning to work with a system. However, improving the implementation process and methods does not necessarily result in a successful implementation, i.e. the delivery of tangible improvements.

The deployment of ICT demands a continuous improvement route. The situations in which and with which organizations must work are not 'fixed' when the implementation of a system is ready. On the contrary, changes do not stop. Too often practice shows that what has just been implemented no longer meets the current circumstances. No matter how important the changes in ERP practice mentioned are, the fundamental problem of ERP is still not tackled. The main focus is on looking for a solution how to implement ERP, but ERP itself is ignored and in particular, the 'control philosophy' behind it, as a cause for the problems in ERP practices.

### **Bureaucratic**

'Control' is all about the core of maximizing efficiency. Circumstances, processes and people being predictable are thereby necessary. This explains why making people and processes predictable is so dominant and is often expressed in a strong urge for management and controlling, for instance via centralization, specialization and standardization. This is implied in both ERP systems and in ERP practice.

The core is an ERP system for integral management of the means. The emphasis on management is a result of logistic control and planning of flows of material and capacities, the so-called MRP concept. In addition, it is a result of financial management and planning: management accounting (MA). In regard to the character designation of ERP it is interesting that MRP and MA are management tools that depart from predictability and obedience. There is nothing wrong with this vision. What's more? It expresses the dominant, the so-called bureaucratic view on organizations. This view loses effectiveness when things become or appear to be less predictable. This applies to many branches of industry because changes are more often rule than exception.

According to the ERP practice, 'everything' is possible with ERP. The ERP systems for large companies are indeed becoming more and more encompassing. This is translated into an increasing system complexity, at which in one logistic database both the transaction data, the rules of operation of business and the ERP logic are brought together. This complexity makes it increasingly difficult to oversee the total picture. You can tell so from the expertise of ERP consultants, which is functionally focused; most of them are happy when they are able to go to the bottom of one module. This means that consultants should approach an organization modular-directed. This makes an integral approach impossible since the elements (finance, logistics, etc.) are integrated with each other afterwards. This explains also the integration problems at many ERP projects looming up at the end of the implementation.

To bridle such problems 'best practices' are adopted to set up ERP modules and to manage ERP implementations.

There is nothing wrong with such standards, as long as they do not make it more difficult to deal with the specific dynamics with which organizations are confronted. Those dynamics are not included in the generalization of a best practice.

### **Mini organizations**

Besides the complexity of ERP, also the complexity of the organization itself plays a role. The pyramid, bureaucratic structure, with the power at the top, is still dominant in most organizations. And to be able to manage this one needs a similarly complicated system. This explains - especially in large companies - the strong need for ERP. On the other hand, it also shows that realization thereof is difficult, if not impossible. One has to bring a complex (large) organization, both in a process-technical and social sense, (for instance by having people work together in a different way) together into one complex system - i.e. a comprehensive database. The basis of the solution is clear: because dynamics are a fact - it happens to organization - they can only focus on the complexity reduction of organizations and processes. The aim is to reach conveniently arranged mini organizations that each has their own integrated integral system (hence with a logical database apart from other mini organizations).

The realization thereof should not be a problem for the current ERP systems since with most ERP systems one is able to catch 'everything'. A conglomerate of mini organizations should not be a problem. However, one forgets that ERP systems are directed at transaction processing of large organizations in a logical, consistent database. By means of ERP the aim is to be able to manage the attuning, with all its detail differences, in an efficient way. In particular, emphasizing the detail differences is

important. Although one strives for standardization, in practice still small differences are allowed per product, per customer, per region and/or per jurisdiction etc., resulting in a complex attuning for which indeed a similarly complex system is required: ERP. However, when a change occurs at one product, region or customer, this is difficult to pursue. In other words: a small change can have big consequences. It is exactly this system behavior that must be avoided if one wants to be able to deal with changes. A change must be confined to the area to which it refers. This is a requirement for flexibility! When in the Netherlands for instance the law is changed, this should not lead to changing the processes at a Belgian subsidiary.

### **SME solution**

Striking is for instance that SAP, as biggest ERP supplier, seems to offer at this moment a solution. The company does not do so from a business but from a market growth perspective. The big ERP suppliers are diligently looking for new markets and have spotted the small and medium enterprises (SME). They are offering at high speed not only integrated but also integral systems: SME ERP's. The latter is remarkable. Integration is the core quality of ERP systems. However, they are not integral because processes are formatted in the way they run per discipline (financial, logistic etc). The ERP system makes it then possible to deliver information per discipline. On the other hand, small and medium-sized enterprises are often too small to set up separate departments per discipline; they focus attention on the process and organize therefore the desired manpower which is far more multifunctional. It is surprising that because of this multifunctionality the SME ERP solution is also if not more interesting for larger organizations. Why? The attention in this solution is

more on the primary process, which in an ERP system, intended for large companies, does not really exist. The focus is there on the primary process from a logistic, financial or commercial point of view. These points of view are expressed in the ERP modules; this explains also why a module can be used as an independent system. One has opted for this approach because large organizations are mainly organized around aspects such as logistics, commerce, finance, HRM etc. If you want to be able to manage integrally, it will be necessary for the primary process - with all its aspects - to form the basis, which is more the case in the SME solution.

This also raises the question as to what influence this solution has on, being able to deal with dynamics. This influence is significant because larger organizations are divided into several small mini organizations; and because changes can be limited to the mini organizations to which the change refers, it will be much easier to keep track of the impact of the change. Moreover a change has less or even no impact on the other mini organizations. In ERP systems a change influences essentially everything (entire organization) because everything (transactions, business rules and ERP logic) has been placed in one database. Pursuing changes is not only difficult but also expensive. This explains why changes are mostly 'kept away'.

### **Dynamics**

However, the architecture described on the basis of mini organizations does not offer a solution to quickly pursue the changes themselves. Pursuing a change is less extensive and expensive; the change could still have far-reaching consequences. This is because (standard) purchase systems must be set up by means of parameters and often by means of a program code.

There is currently no workable solution available to do so since the operation of business rules and the ERP logic are too much encrypted in standard systems. There are though interesting, encouraging ideas pending, such as model-driven ICT. Essentially this concerns the elementary basic functionality which could be linked per customer demand to other functionality in a customer specific way.

The idea could be compared with building a car. Cars consist of several basic components. The way in which these are assembled yields a unique product. One speaks in this regard of mass customization instead of mass production. However, as long as this has not been crystallized out in ICT, the strategy to abandon the 'all-embracing' aspect of the current ERP systems (for large companies) and to choose for a conglomerate of small specific ICT systems (i.e. SME ERP's) is already a giant leap ahead. Certainly if one wants to use the power of ICT to efficiently and effectively deal with dynamics.



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