

James A Robertson and Associates Effective Strategic Business Solutions



**Simple steps to increase the
strategic value from your ERP
investment**

**Live On-line Presentation
(Webinar)**

07 December 2012

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James@JamesARobertson.com**

Agenda

Make your ERP work for you



1. Most executives are FRUSTRATED
2. Why?
3. What to do?
4. What SMALL changes?
5. Unlocking the full potential

Agenda

Make your ERP work for you



1. Most executives are FRUSTRATED

One of the classic business problems of this age



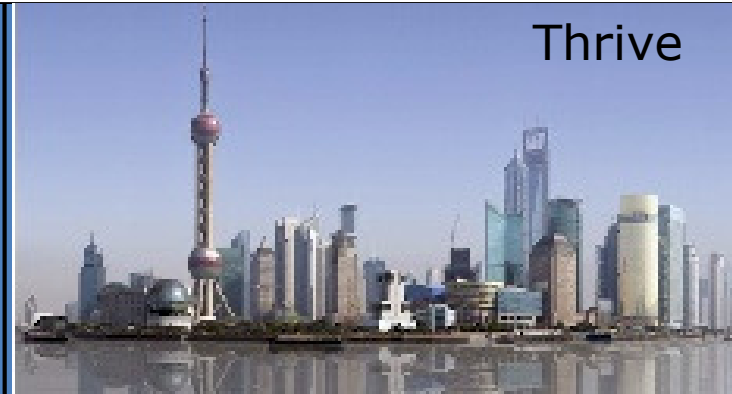
We have spent a FORTUNE on this computer system and I.T. tell me it will take two years and another few million to get what I want BUT the transactions are being processed already



What is strategy?



Tactics – Doing things right →



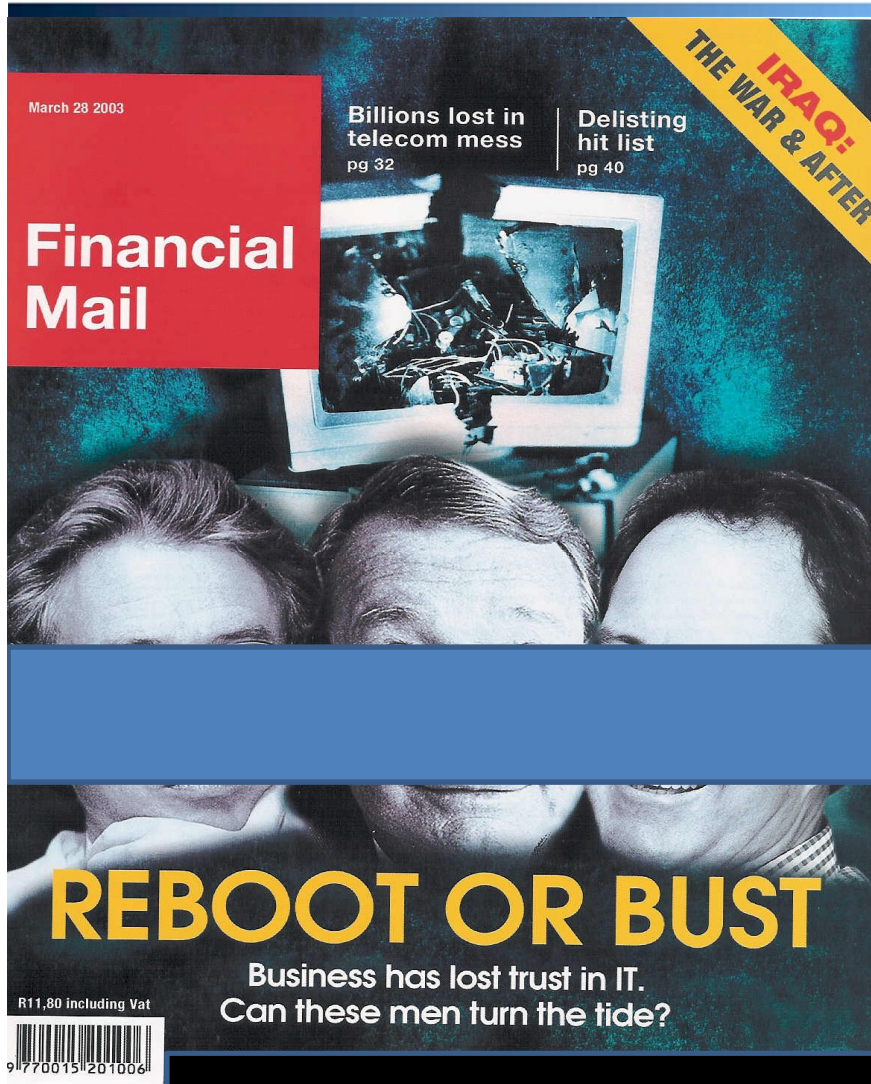
Strategy – Doing the right things →

What IS Strategy?



**The Essence of WHY the Organization exists
and HOW it THRIVES**

ERP an industry in crisis



"19 out of 20 ERP (integrated business information system) implementations do NOT deliver what was promised"

An industry characterized by failure



"Attendees of Gartner's Business Intelligence Summit in London last month were not surprised to hear that most enterprises are still failing to use business intelligence (BI) strategically. Gartner's survey of over 1300 CIOs returned some unimpressive findings about the state of BI implementations: Gartner's vice president of research summed up the situation nicely by saying:

"Most organisations are not making better decisions than they did five years ago"

There IS great opportunity ERP can and should add value



Agenda

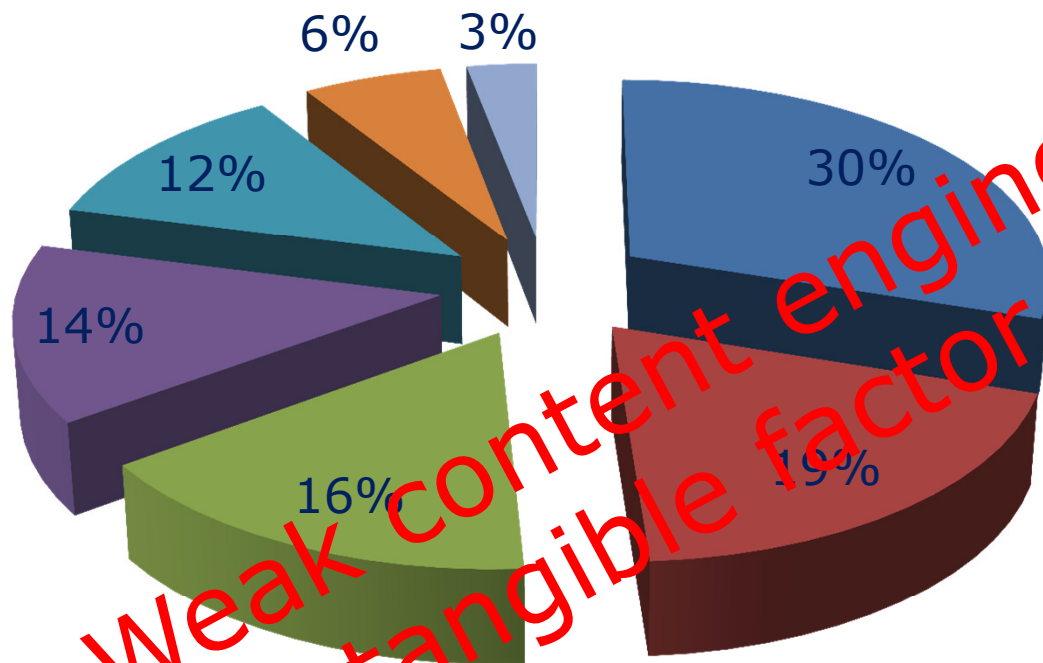
Make your ERP work for you



1. Most executives are FRUSTRATED

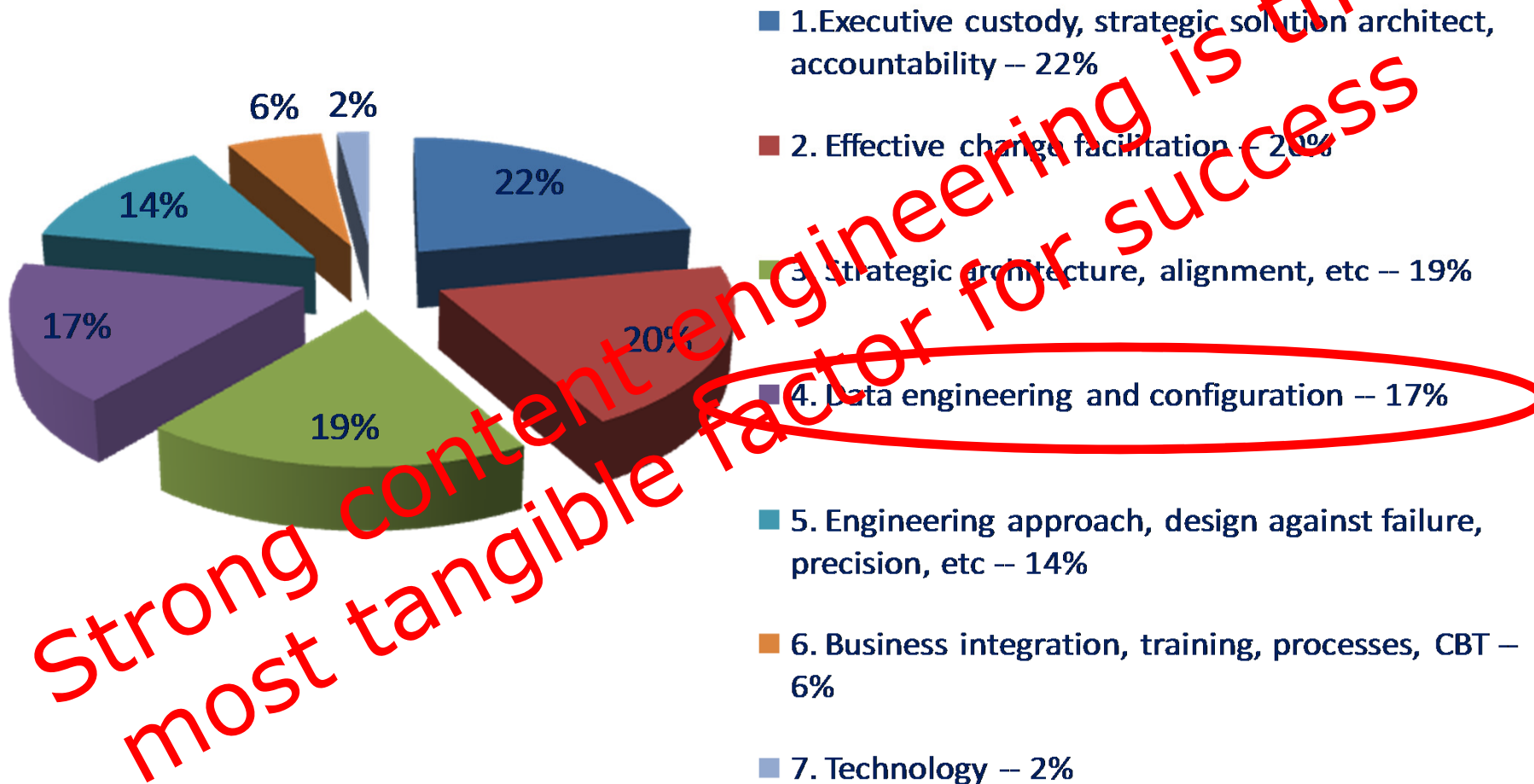
2. Why?

Factors causing ERP failure



Weak content engineering is the most tangible factor causing failure

Factors for ERP reimplementation success



Agenda

Make your ERP work for you



1. Most executives are FRUSTRATED
2. Why?
- 3. What to do?**

What is an ERP?



"Enterprise Resource Planning" = ERP Systems
? or ?

"Integrated Business Information Systems" = IBIS

= all the information "repositories"

= databases

= tables

= lists

= filing drawers / folders

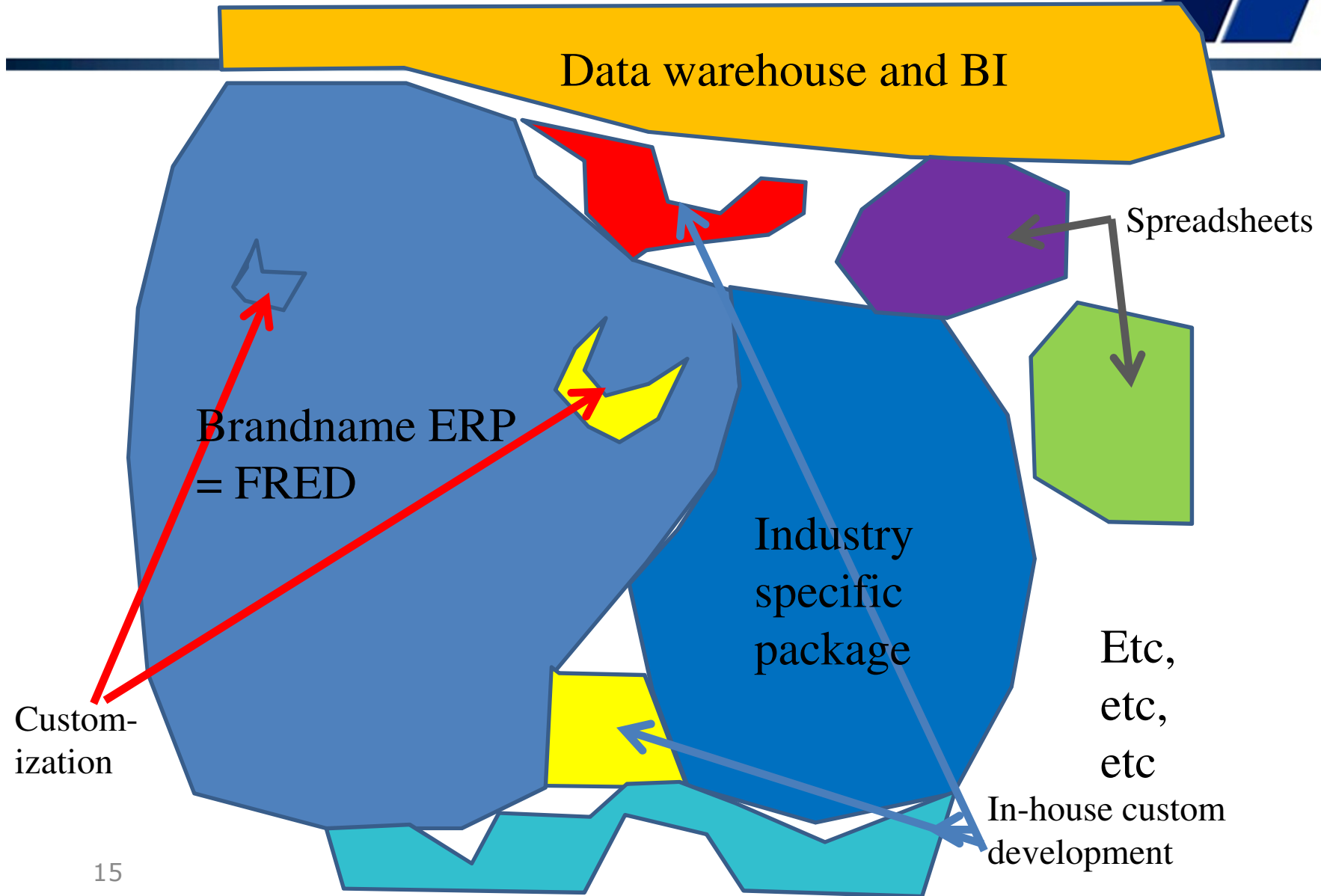


real world items that require description and management

+ the numerical computations, workflow and other activities that are executed with the numbers (and text) stored in these repositories

ALL of which can be done by human beings -- including making a mess!

IBIS – what every company REALLY has ☺



Conventional taxonomy example



ANIMALS

ELEPHANTS

RHINOCEROS

DOGS

CATS

LIONS

LEOPARDS

DOMESTIC CATS

Persian Cats

Domestic Short Hair Cats

etc

Taxonomy defined



1. Logical word (semantic structure)
2. Precision vocabulary of preferred terms
3. Conveys understanding between humans with relevant knowledge and experience
4. Once linked to a precision code scheme the most important communication mechanism between computers and people
5. An art and a science
6. Once it is right it is OBVIOUS 😊

```
EXPENDITURE
DIRECT OPERATIONAL EXPENDITURE
ASSET OPERATING COSTS
DEPRECIATION ASSET OWNED-OpCost
DEPRECIATION ASSETS LEASED-OpCost
LEASE FINANCE CHARGES-OpCost
RENTAL OF ASSETS-OpCost
OPERATING LEASE COSTS ASSETS-OpCost
REPAIR AND MAINTENANCE ASSETS-OpCost
PROPERTY (NON-PLANT, NON-OFFICE)
LEASEHOLD IMPROVEMENTS
INDUSTRIAL BUILDINGS AND WAREHOUSES
OFFICE BUILDINGS
PRODUCTION LINES
FIXED MACHINES AND EQUIPMENT-AssOwn
TOOLS AND PORTABLE MACHINES-AssOwn
VEHICLES MOBILE PLANT LOCOMOTIVES ETC
Engine
Transmission
Chassis
Wheels, Tyres And Brakes
Cab / Manufacturers Body
Electrical
Electronic
Freezer And Cooling Units
Hydraulics And Pneumatics
Load Carrying Body
Specialized Mechanical Components17
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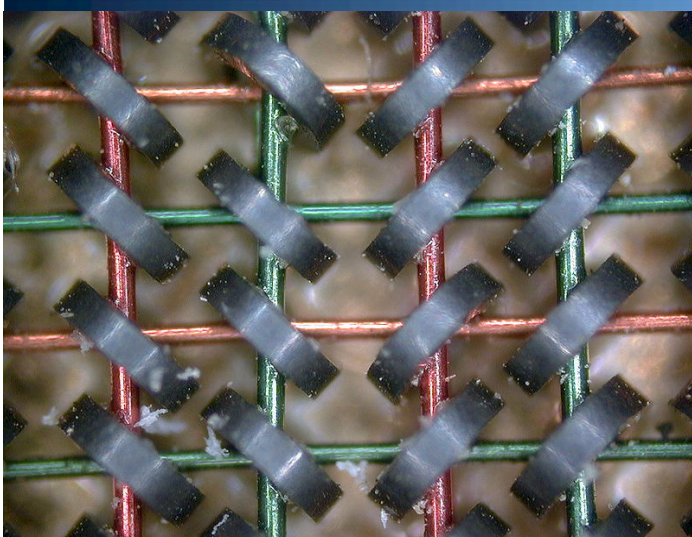
Taxonomy relevance



1. Essential to effective operational and strategic use of business software
2. Nearly ALL validation lists (drop down lists), chart of accounts, etc
3. Large body of expertise – Botany, Zoology, military filing, Library Science, Information Management, etc
4. Unknown to many (most?) IT professionals and business people

C.	ORDER CANCELLED	
CC	Order Cancelled Credit Control	
CS	Order Cancelled by Consumer	
CT	Order Cancelled by Customer	
D.	DAMAGED OR DEFECTIVE	
DF	Defective Product	
DM	Damaged Product	
DP	Damaged Packaging	
DT	Consumer Complaint	
P.	PRICE ERRORS OR DISCONTINUED	
PD	Discontinued	
PI	Incorrect Price	
S.	SUPPLY ISSUES	
SD	Order Duplication	
SF	Customer Non-Franchise Holder	
SI	Incorrectly Supplied	
SK	Overstock	
SL	Late Delivery	
SO	Oversupplied	
SV	Not in Customer Inventory Master	
T.	USED AS TESTER	
TT	Used as Tester	
Z.	OTHER	
ZN	Not Known	
ZO	Other	

A computer is An adding machine / calculator



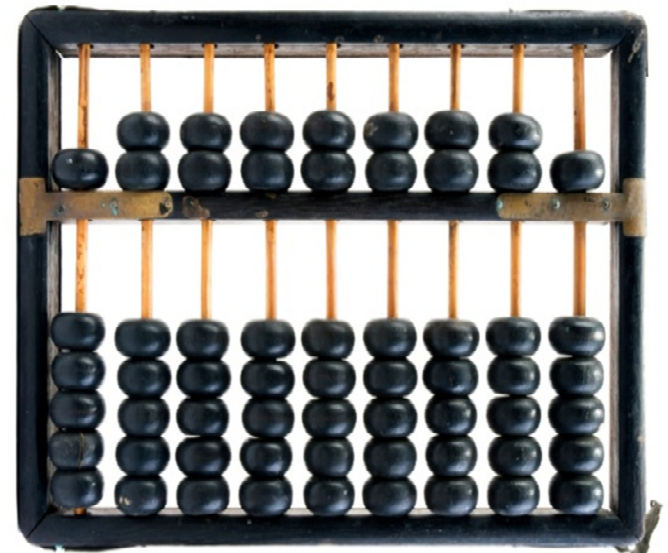
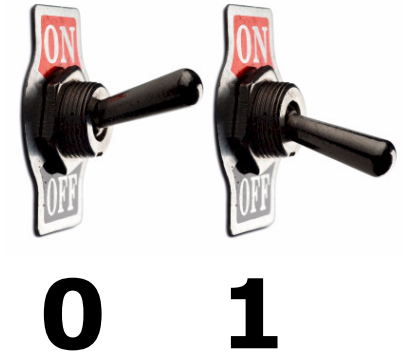
0
1
 $1+1=10$
 $1+1+1=11$
 $1+1+1+1=100$

Called a "bit"

8 bits make a byte

2 bytes make an
ASCII character

A= "41" hex



Coding taxonomies



1. Computers only understand binary
2. The code is a unique binary pattern that corresponds to the structured language taxonomy
3. The only way the computer will appear to be intelligent
4. Results in "intelligent data"
5. Standard conventions
 1. Indents and trailing periods
 2. Capitalization
 3. Other standards and conventions

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VEHICLES MOBILE PLANT LOCOMOTIVES E'
  Engine
  Transmission
  Chassis
  Wheels, Tyres And Brakes
  Cab / Manufacturers Body
  Electrical
  Electronic
  Hydraulics And Pneumatics
  Load Carrying Body
```


Taxonomy examples



1. Some practical examples of how code schemes should look
2. Various small validation lists – some custom, some standard
3. Various custom product attributes
4. Product classification – custom field
5. Machine vehicle operating costs and spares
6. Consolidation Charts of Accounts medium and large organizations

Example of custom data entry screen With custom taxonomies



Inventory and A&P Maintenance System

Edit Stock Code

Barcode: [Load Stock Item](#)

SKU Description:

Brand Hierarchy (Product Class):

Item Masters

Product Status:

Target Gender:

Product Category:

Sales Category:

Qualifier Stockcode:

[Prev](#) [Next](#)

Example of exceptionally BAD practice



Huge impact on integration, reporting, etc

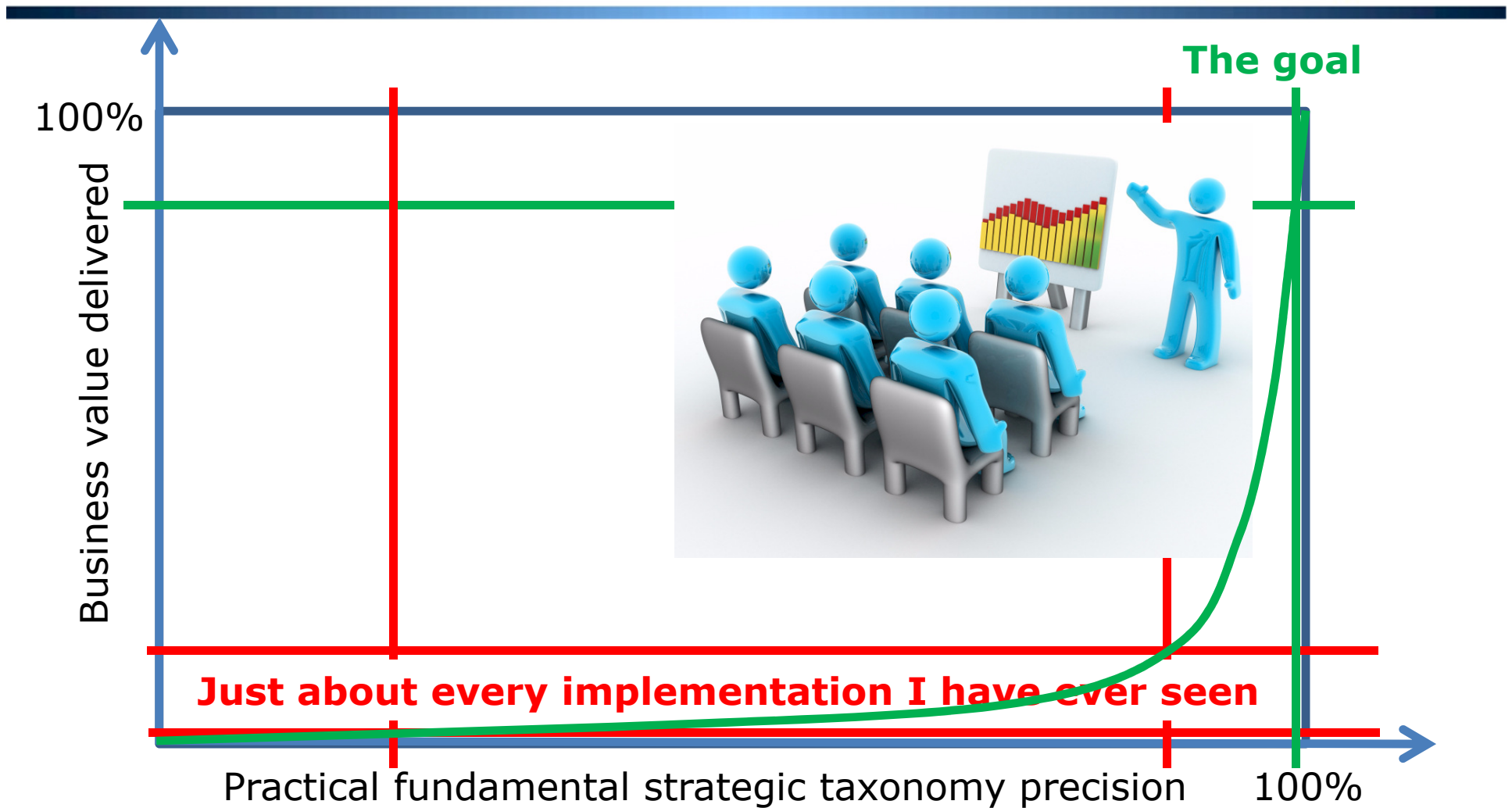


- 500528 Waste Material Consumed
- 500530 Loss from valuation of external materials
- 500540 Loss from valuation of own materials
- 500550 Losses - inventory variance -consignment sale
- 500560 Safety Clothing
- 500565 Safety Equipment
- 500570 Sand & Stone
- 500575 Scraper Rope
- 500580 Scrapers
- 500585 Services
- 500590 Signs
- 500595 Skips & Cages
- 500600 Finished Goods Inventory Offset
- 500605 Smelting & Refining
- 500610 Production Order Settlement - Variance
- 500615 Steel Other
- 500620 Steel Sections

Precision ordered data Versus ...

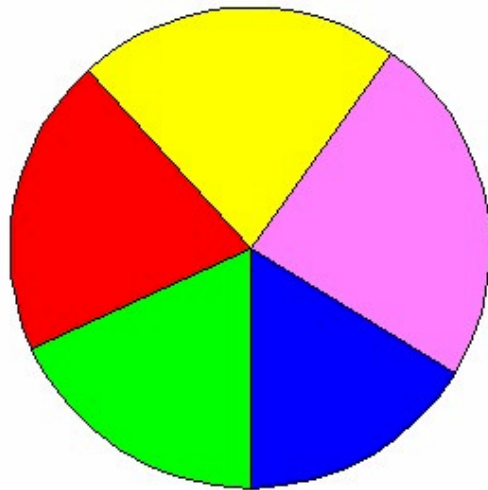


Value versus precision A critical consideration

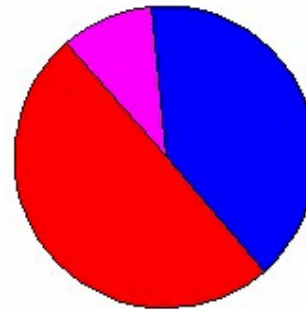


Critical principle – constraint and opportunity -- cognitive span

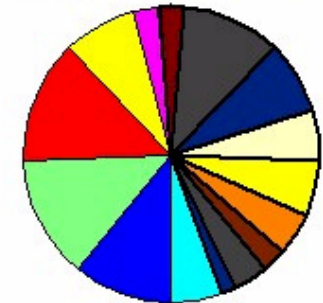
Strategically determined (thrive) segmentation



<5 = too few



> 10 = too many



5 TO 10 SLICES OPTIMUM

ABSTRACT THINKING / MANAGEMENT

The average person can manage 7 plus or minus 2 distinct areas or concepts

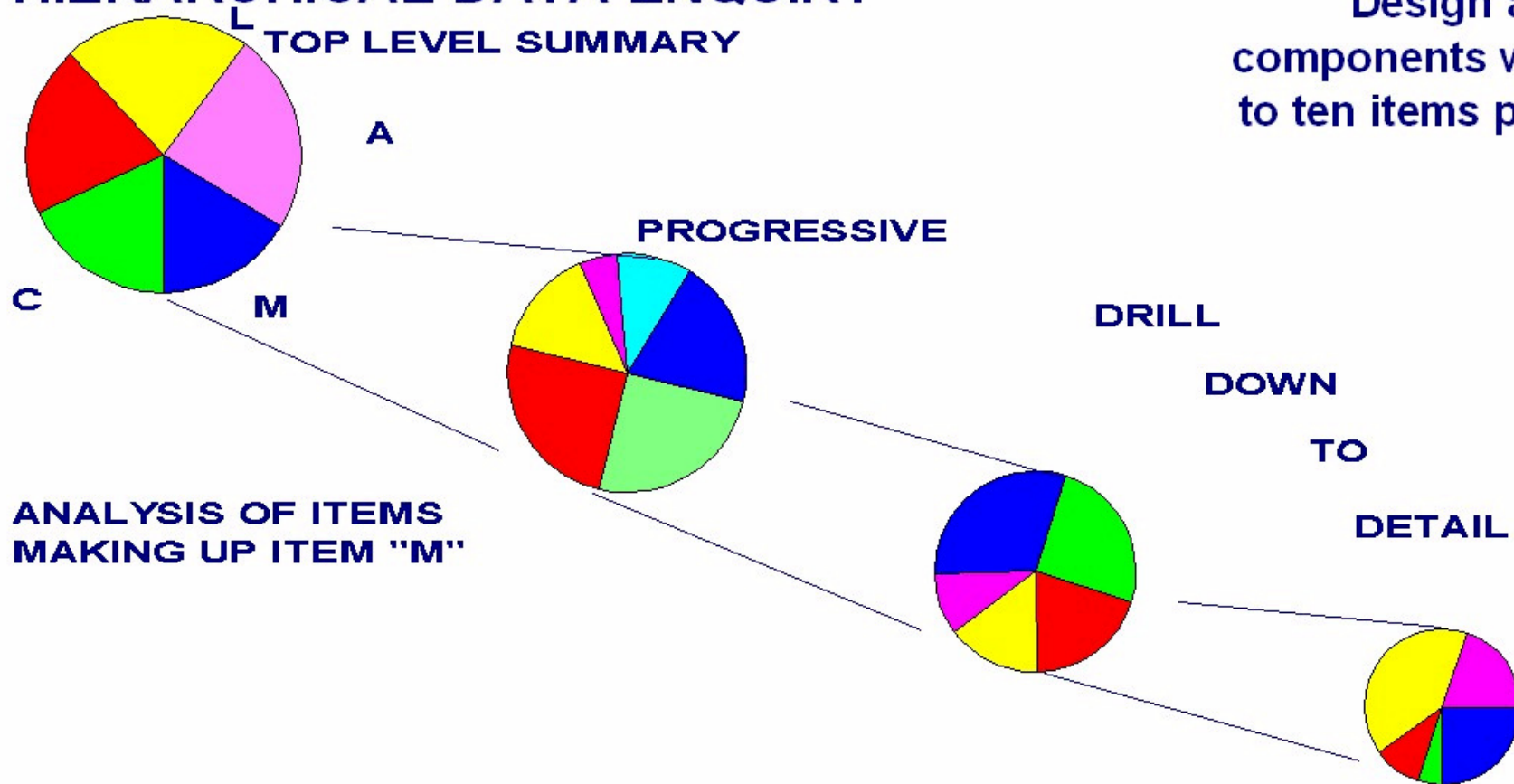
Design the information structure accordingly at every level

Drill down A function of the content

Strategically determined (thrive) segmentation



HIERARCHICAL DATA ENQUIRY



The fundamental requirements for an ERP



- The answers to questions I have not yet thought to ask
- Enable me to run the business MY way
- Accurately model every aspect of my business
- Totally integrated solution
- Entirely reliable and dependable
- Fundamentally support the essence of the business and how it thrives (strategy)
- Fully support my day to day operational functions

What can be done?



-
1. Buy a new ERP – expensive, high risk
 2. Re-implement your current ERP – not quite as expensive
 3. Comprehensive Data Warehouse with Precision Taxonomies – not nearly as expensive or high risk but still costly
 4. Anything else? -- SMALL changes?

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Make your ERP work for you



1. Most executives are FRUSTRATED
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How is value created



Value is created by business actions that deliver on the essence of why the organization exists and how it thrives

Value manifests through increased profitability, growth, acquisitions, job satisfaction, fulfilment of the strategic vision

The consequence of intuitive, intelligent, informed leadership business decisions – thrive decisions

Such decisions are facilitated, accelerated and enhanced through access to more intelligent, meaningful and relevant information

Answers to the questions I have not yet thought to ask

Such “intelligent information” is assembled as a consequence of high level strategic and executive level input into the design of the data CONTENT – taxonomies designed to catalogue every conceivably relevant classification ahead of time

High value intelligent content design

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Make your ERP work for you



1. Most executives are FRUSTRATED

2. Why?

3. What to do?

4. What SMALL changes?

1. Repopulate key standard attribute tables

2. Create new custom attribute tables

A simple high value example – Credit Note Reason Codes



Example of poor credit note reason codes – actual case

Reason	Description
01	Incorrect Price
02	Damaged Goods
03	Incorrectly Supplied

Strategically aligned credit note reason codes

ReasonCode	Description
C.	ORDER CANCELLED
CC	Order Cancelled Credit Control
CS	Order Cancelled by Customer
CT	Order Cancelled by Customer
D.	DAMAGED OR DEFECTIVE
DF	Defective Product
DM	Damaged Product
DP	Damaged Packaging
DT	Consumer Complaint
F.	PRICE ERRORS OR DISCONTINUED
PD	Discontinued
PI	Incorrect Price
S.	SUPPLY ISSUES
SD	Order Duplication
SF	Customer Non-Franchise Holder
SI	Incorrectly Supplied
SK	Overstock
SL	Late Delivery
SO	Oversupplied
SV	Not in Customer Inventory Master
T.	USED AS TESTER
TT	Used as Tester
Z.	OTHER
ZN	Not Known
ZO	Other

Drastically improve the content of some key tables such as Credit Note Reasons, Product / Item Class, etc

Develop lists



-
1. One to ten people in a room with a projector
 2. Brainstorm all possible content for the list – capture on screen
 3. Each summarize to between five and ten headings
 4. Type all the lists in
 5. Combine them into between five and ten groups
 6. Give each group a heading
 7. Lift out sub-categories
 8. Code – remember indents, trailing periods, capitalization
 9. Check impacts
 10. Implement

Develop lists 2



-
1. Quality of list is dependent on quality of input
 2. Want lists to be complete, comprehensive and well designed
 3. Design compromises will be with you for ever
 4. Document
 5. Train
 6. Utilize

Develop lists 3



1. Develop Hierarchy

- a) Hierarchy of descriptions – indent each level by one character position
- b) HEADINGS IN CAPITAL LETTERS
- c) Posting level items in Proper Case
- d) Abbreviate as necessary

2. Code

- a) Mirror indents with trailing periods
- b) Gap code
- c) Mnemonic Alpha preferred, else Alpha Numeric, else Numeric
- d) 1 to 4 character segments separated by “-”

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 - 2. Create new custom attribute tables**

A simple high value example – Product Attributes



	DRIVER, FAIRWAY WOOD AND HYBRID SOUND
A	Clicky
C	Clunky
D	Dull
L	Loud
S	Soft
P	Solid
T	Timmy

Add user defined attribute fields anywhere where they make sense – Products, Debtors (Customers), etc

Develop attributes



-
1. One to ten people in a room with a projector
 2. Brainstorm all possible attributes for management information
 3. If in doubt add
 4. Structure and Code as before
 5. Capture sheets
 6. Train staff to classify and add
 7. Reports
 8. Identify clever functionality that can work with attributes, add where cost effective
 9. Harvest information

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- 5. Unlocking the full potential**

Unlocking the full potential



1. Progressively improve classifications and add attributes
2. Progressively develop reports, analysis and custom functionality
3. Advance to more complex and inter-related lists:
 - a) Product / Item / Material Class / Group is the largest list that you might apply this approach to
 - b) Major Master Lists like Chart of Accounts and Product Catalogue / Master might be done in increments ONCE you have experience with this approach
 - c) Other Master Lists like Debtors and Creditors Masters could be restructured in time
4. Eventually you might find you have effectively re-implemented

Summing up



1. Excellent high value decisions rely on logical strategically aligned information → the information to thrive
2. To get executive intelligence OUT you must **put executive intelligence IN – “intelligent content”**
3. Precision strategic content engineering IS **THE missing link in ERP and IBIS**
4. Some items require a very small investment – an ART and a science
5. A significant opportunity to get more out of your current systems

If you do not act within 48 hours you probably never will – act TODAY! 😊



What is your single most important insight from this presentation?

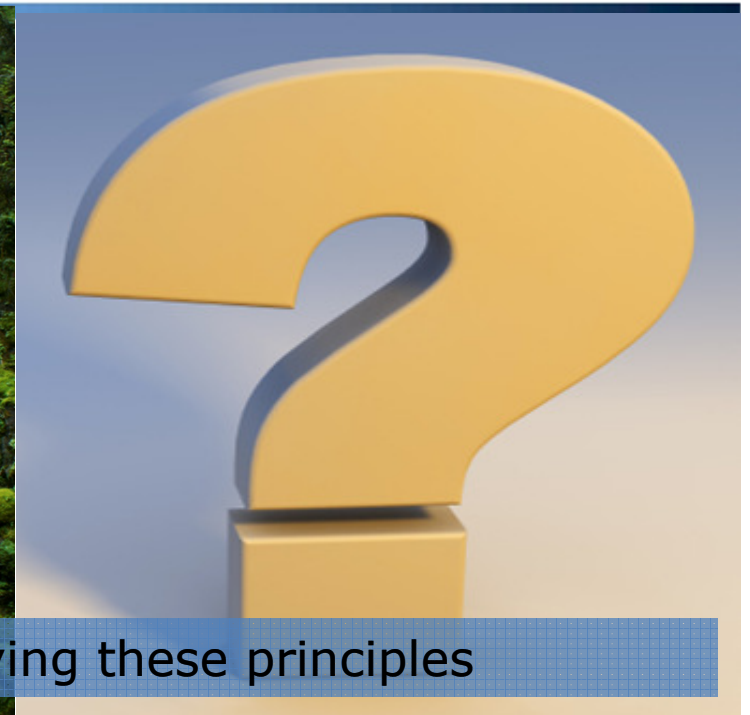
What is the single most practical action that you can take tomorrow to apply I.T. more effectively?

Please write down your thoughts NOW

James@Webinars-at-JARA.com

Questions?

We will email you my book, hand-outs and link to the recording of this presentation



JAR&A are available to assist in applying these principles

"To Him who by wisdom made the heavens, for His mercy endures forever;"

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Assisting clients to thrive through the effective application of IT and ERP