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# The end of the one ERP system strategy

To understand the success or failure of the “one ERP system boom,” it is important to understand why corporates felt the need for consolidation in the first place.

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## Date published

April 16, 2018

## Categories

Systems



Business strategies tend to come in waves. If you saw yourself swept away by a group-wide push to consolidate down to one Enterprise Resource Planning (ERP) system in the last few years, you certainly weren't the only one. Indeed, for a while the strive for full integration, uninterrupted flow of information, seamless system interaction and the cutback of interfaces seemed to be on virtually everyone's agenda. If you were doing it – the likelihood is that your competitors were also doing it. So what happened? Are we all down to one group-wide ERP system, living happily ever after? We are not and here is why.

## Why it made sense

To understand the success or failure of the “one ERP system boom,” it is important to understand why corporates felt the need for consolidation in the first place. After all, for years the fact that different entities worked with different – or even no – ERP systems seemed to be of little relevance, let alone concern. However, the world has

changed, economic conditions have changed, businesses have changed. The work of a 21<sup>st</sup> century CFO of an international company is all about global reach and overview: he or she needs to know what is happening where, what the sales figures, stocks, investments and debts are, where the risks lie and what measures make sense where. Naturally, the more systems I have that harbor this information, the more complicated it gets. Hence the strive for integration – and hence one ERP system strategies “popping up” all over the place.

## **Theory vs reality**

In theory, integration by way of consolidating your ERP systems makes perfect sense: you have all data company-wide in one system and are able to generate all reports at the push of a button. But does it live up to reality? Does it really meet business needs? Does it meet treasury's needs? As with so many things that make for a great solution on paper, reality often paints a different picture.

## **The cost factor**

It starts with the fact that most projects tackling the obscure multi-system landscape that reigns in many organizations come with a hefty price tag. It costs a lot of money to phase out existing systems, to migrate and to roll out new systems – and the more diverse the setup, the more costly. Many companies simply cannot foot that bill. And even if they can, the question remains if this move is really financially beneficial, with the end reward outweighing the costs. After all, you don't want to consolidate yourself into bankruptcy.

## **The functionality factor**

Having everyone use the same ERP system means everyone has access to the same functionality. But is it also the right functionality? In today's business environment, we're dealing with much more dynamic and challenging markets than ever before. Is one standard system really adequate to address the multiple business needs that arise from this? The reality is that most corporates who go down that route are forced to add custom-built functionality to their ERP tools. The needs of a treasurer for example are different from those of accounting from those of sales. So not only does integration cost money, it comes at the expense of functionality.

## **The feasibility factor**

When it comes to “theory vs reality” debates, one argument that is nearly always brought forward is, “It just doesn't work.” This is hard to pin down and can come across as a blanket refusal to accept change. But it shouldn't just be dismissed. The

truth is that as a treasury management system provider, we have actually had a substantial number of future clients first approach us on the back of a failed one ERP system project. Whether it was a question of cost, functionality or simply a rollout run aground, this is one driving factor to obtain a dedicated treasury management system you maybe hadn't expected! Ultimately, something that's not practical and not feasible doesn't make sense – even if theory had you thinking otherwise.

## **The flexibility factor**

Businesses are more dynamic today than they were only a few years ago – but having one system in place can slow things down. Local subsidiaries (especially the smaller ones) need to be able to react to market developments in a very flexible and proactive manner. Groups which pursue a one ERP policy however risk “losing” their subsidiaries to new non-integrated solutions, to which they return because their requirements are not fully met by the standardized system. What may work fine for large multinationals with strict hierarchies and much leverage to enforce their uniform solution, is in many cases simply unrealistic when it comes to smaller groups. In general, their business model is built on a certain degree of local independence, and sometimes subsidiaries are even “ruled” by local “chieftains.” Either way, you can almost bet on non-integrated solutions creeping back in.

### **The “Magic Triangle” of ERP integration**

There is a famous triangle in treasury: profit vs risk vs security. They're all vital for a business but they're also all mutually dependent, and while you want them all, you can never have them all in equal measures. One will always come at the expense of the other. If we were to establish a similar “magic triangle” of ERP integration, it would consist of something like this: integration vs functionality vs cost.

## **The one treasury management system strategy**

What does all of this translate to for treasury? We have seen that a one ERP system strategy might appear compelling in theory but does not live up to reality. Too costly, too limited in functionality, too impractical or too inflexible – there are many reasons. To put it in a nutshell: for many businesses having one group-wide ERP system is simply too ambitious – “too much.” That said, the very convincing arguments that gave rise to this trend in the first place – global reach, transparency, efficiency – still stand as such. So how can you still achieve them? Exit: the one ERP system strategy. Enter: the one treasury management system strategy.

## **Integration treasury-style**

What is true for the very general ERP system is not necessarily true for a more specialist application, such as a treasury management system. We have already mentioned today's volatile markets and political instability that throw up different questions every day. Just think back to the Crimean crisis of 2014, Zimbabwe in November of last year, or the ongoing situation in Venezuela. Treasurers are specialists in their field and invaluable to their companies in dealing with such high-risk, high-impact situations. Treasurers need to constantly think on their feet and have real-time data available to underpin their decisions. And for this, they do need system support.

## **Group-wide, standardized treasury system support**

A standardized ERP system designed to accommodate everyone yet no one in particular simply isn't enough to cater to those needs. Only a specialist system will give you the agility, the specialist focus and the data and reports you need as a treasurer. At the same time, having a specialist system does not mean you're throwing your integration efforts out the window. Our 21<sup>st</sup> century CFO who would like to know about every corner of their organization? One standardized, group-wide treasury management system that is used collaboratively will give him exactly that! The role of a treasurer certainly requires him or her to be connected, to have accurate and reliable data available from everyone within the group. But while with one ERP system you have little responsiveness and will find things very cumbersome to steer, a specialist system makes treasurers agile and fast – on top of being well-informed.

Integration is the way to go – there's no denying that. But the answer to that quest likely is a one treasury management system strategy, rather than a one ERP system strategy. So with trends coming in waves, you may just be about to be swept away by the TMS surge.