Competitive difference is in the analysis
By Charles Batchelor
Published: December 7 2010 23:23 | Last updated: December 7 2010 23:23

People, not computers, drive corporate strategy. But modern information technology is a vital tool in ensuring that plans are turned into reality.

The workhorse of corporate IT systems is enterprise resource planning, an integrated computer-based system for managing internal and external resources. Now entering its third decade, ERP is being constantly updated as software suppliers and their corporate clients seek to make it more effective as a management tool.

"Many organisations worldwide have successfully optimised their business processes by using ERP," says Oracle, a leading supplier, in a plug for its latest ERP enhancement called enterprise performance management or EPM.

It comments: "Most organisations have access to ample data on both the market and their internal operations. The competitive difference comes from the analysis, interpretation and actions based on this data."

The aim of these enhanced systems is to provide ever faster and more comprehensive information, to shorten financial reporting and planning cycles and to reduce the cost and complexity of managing IT.

The challenge facing companies after the economic turmoil generated by the collapse of Lehman Brothers is to respond to increasingly volatile markets. They need to interpret the mass of data generated by IT systems and to respond effectively over ever-shortening timescales.

"In the world we are in now, every company needs to run scenarios around their strategy," says Andrew Meade, UK head of finance and performance management for Accenture, the consulting business. “You can’t make assumptions and hope they will work out.

“IT allows you to compare actual outcomes with your forecasts and scenarios, pulling in outside sources of information alongside internal metrics and data. There is no real stability at the moment.

“There are so many moving parts that understanding how they impact and what tweaks you need to make to strategy is really important.

“If you are a global player, currencies can have a huge impact on the performance of your business,” Mr Meade says. “A manufacturing company may be heavily dependent on volatile inputs such as oil or metals. When the chief financial officer looks at his strategy, he wants to know what will be the impact on profitability from a shareholder point of view.”

Faced with the mass of information generated by modern IT systems, companies are increasingly making use of “dashboards” to present the most vital data in an easy-to-read format.

“You acquire the information on production, stocks and customers and create a dashboard that allows you to do the executive planning in the boardroom,” says Nigel Trapp, sales manager for global accounts at SAP, a software group.

The screen shows top-level information in the form of bar charts and dials like the dashboard of a car but allows users to “drill down” to the data the screen presentation is based on, to query assumptions and gain a fuller knowledge of developments.

One client – an oil company – makes use of dashboards in its central control room to monitor production volumes at different rigs in real time.

“Companies that don’t use this technology may have to wait several months for the information,” says Mr Trapp.

“Companies that do, can manage daily operations and set strategy. They can see which direction they are going in and whether they are creating value and adjust plans accordingly.”
A key feature of IT management systems is their ability to bring together managers across dispersed locations. "The best systems allow people to bring together ideas and objections on a particular topic," says Jean-Claude Delcroix, vice-president for research at Gartner, an IT consultancy.

Large companies have traditionally had the need and the resources to install complex IT systems, but suppliers are attempting to extend their use to smaller businesses.

SAP is targeting the small and medium-sized sector with Business ByDesign, making use of the internet to provide a low-cost business management tool.

"Big companies will have IT departments and data centres and make use of large numbers of consultants," explains Mr Trapp. "Smaller companies don’t want that. This provides the same business processes to anyone with an internet connection."

As mobile devices become more sophisticated, they offer the opportunity for companies to put sales people and service engineers in immediate touch with the head office computer.

Partners in a supply chain and customers can check on stocks and the progress of orders. "Information locked up in the back office is of no use to customers," says Mr Trapp.

Despite these attempts to make ERP and other business management systems more widely available, many companies are still failing to employ the latest technologies or are not using them effectively.

"More than 35 per cent of the top 5,000 global companies will regularly fail to make insightful decisions about significant changes in their business and markets" in 2012, because of a lack of information, processes and tools, according to a report last year from Gartner.

Copyright The Financial Times Limited 2010. Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.