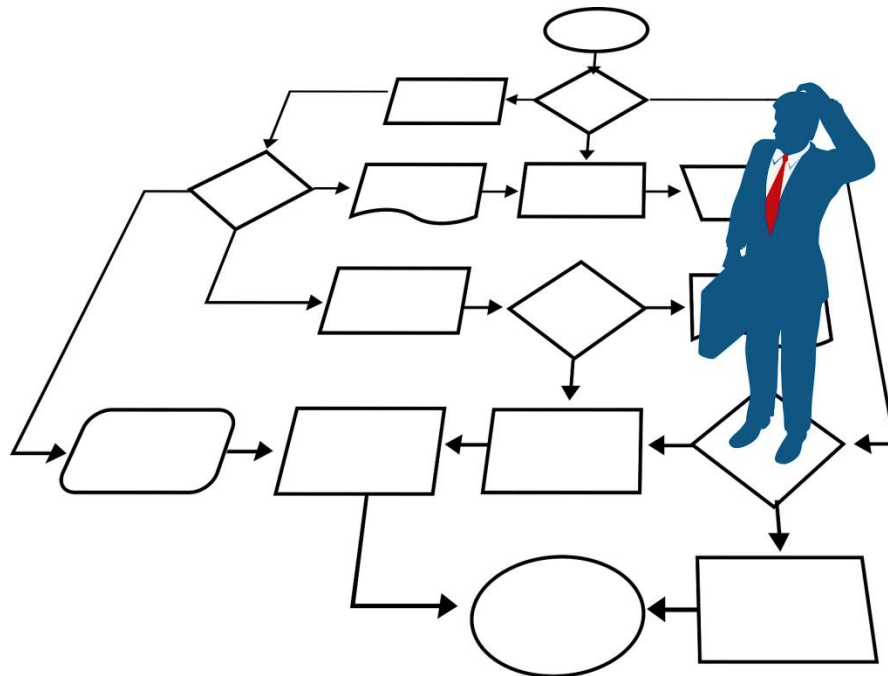


# THE “NEW” ENTERPRISE SYSTEM

## *Bridging the ERP and Enterprise 2.0 divide*

Up until recent years Enterprise Systems referred to Enterprise Resource Planning (ERP) systems have been implemented to achieve a successful business outcome. It is now apparent that as the business environment becomes increasingly complex and marginal benefits gained from ERP systems are rapidly diminishing.

In this paper we identify the tensions between the traditional ERP led and the people focused E2.0 led approaches to business. We believe that ERP and E2.0 systems will need to effectively co-exist for maximum business benefit to be achieved. We propose a “new” framework for Enterprise Systems to achieve this.



Laurence Lock Lee / Cai Kjaer

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# THE NEW ENTERPRISE SYSTEM

*Bridging the ERP and Enterprise2.0 divide.*

## INTRODUCTION

Up until recent years “Enterprise Systems” typically referred to Enterprise Resource Planning (ERP) systems. These systems, now substantially package software based, provide a template for business systems that could, as required, be adapted to a particular need. ERP systems are substantially top down planning systems based on defined business processes.

The high cost of customization for packaged ERP systems has led to a situation where the end users are now being asked to change their working habits to ‘fit in’ with the business systems template provided. Difficulties arise when the inevitable intricacies of day-to-day business are just not adequately catered for by the ERP system. End users inevitably become ‘slaves to the system’, requiring new competencies to be developed around “how to get work done by working around the system!”.

With the explosion in Social Networking software, “Enterprise Software” is no longer confined to ERP systems. These software systems have not only gained the attention of the business world in what is now labeled “Enterprise 2.0” (E2.0), but also spawned some curious new terms like “Social BPM”, “Social CRM” and “Social BI”.

While hard-nosed business executives are still reluctant to legitimise social software as an acceptable business tool, it is hard to argue against the value of effective people to people collaboration, both inside and outside the firm.

The worlds of business process management (BPM) with ERP software and social networking (SN) with E2.0 software on surface appear to be from different galaxies. In the corridors of big business the ERP/BPM promise of standardised, leaner, faster processes is music to the ears. In those same corridors the word “social” implies staff are wasting time “goofing off around the water cooler”<sup>1</sup>.

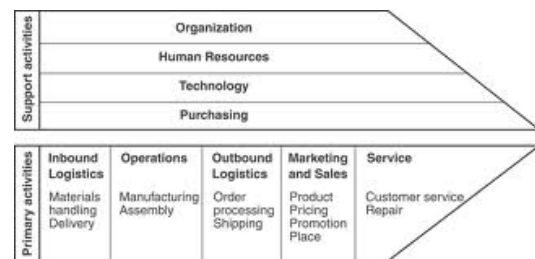
Inevitably, we can’t dismiss the fact that people to people relationships are inherently “social”. Achieving effective collaboration will require addressing the social dimension, so what is needed is an effective “bridge” between the galaxies of BPM and SN.

## A NEW APPROACH

In this white paper we propose a new approach to Enterprise Systems that can bridge the traditional business management focus on process and the more modern focus on social networking and collaboration.

The key point of connection is “organisational roles”. Traditional ERP systems define organisational roles and their accountabilities.

ERP models historically drew from Michael Porter’s value chain model:



In theory ERP systems would define each staff member and their respective roles and then connect them to the primary value chain flow.

<sup>1</sup> This is an actual quote from a CEO about Social Network Analysis. He liked the approach but the name disturbed him. He wasn’t alone in his concern, hence the rise of the alternative label “Organisational Network Analysis”

Many businesses today however cannot be described simply in terms of a value chain model<sup>2</sup>.

For example those businesses that rely on specialist expertise like medical practices, accountants, law firms etc. derive their value more from access to these human capabilities than say efficiently processing an order.

How organisational roles interact is therefore significantly more complex than what can be defined in current day ERP systems. What we are therefore seeing is the combination of organisational roles being designed initially and then an expectation that people will interpret and adapt their roles in practice over time.

As organisations become more pervasively connected it is apparent that role ambiguities, gaps and overlaps are becoming a major concern for not only the individual conducting the role, but the organisation itself.

The typical response to this situation is usually to try and tighten up the role definitions, which means more rules, more complexity and more compliance costs.

Alternatively, one can allow the staff themselves to 'negotiate' the detail of their interaction with other roles in terms of peer-to-peer value exchanges, to ensure that the key intent of the organisational goals are being met while at the same time ensuring that no gaps are left or no activities wastefully duplicated.

In this second scenario each organisational role necessarily becomes a 'stakeholder' to the other roles that they have to interact with and visa versa. 'Stakeholder Engagement' therefore becomes a primary vehicle for organisational performance in concert with the overall organisational design captured in the ERP systems.

'Stakeholder Engagement' is a business friendly term that has historically been associated with how organisations deal with "non-core" external parties who potentially could have reputational impacts on them.

For example, in resource rich countries like Australia, Africa, Canada and South America, mining and resources companies regularly report as part of their corporate responsibilities, their investments in communities, environmental sustainability and regulatory compliance.

These stakeholders however, would typically be viewed separately to their "core" stakeholders, being their customers, employees and suppliers. The core stakeholders will be identified by roles and orchestrated within designed mainstream business processes. The "non-core" stakeholders will more regularly be managed through corporate functional units and have more of a "public relations" than "business process" flavour.

We argue that 'Stakeholder Engagement' should be at the heart of how an organisation operates. There should be no differentiation between core and non-core stakeholders and how they are treated.

We believe that stakeholder engagement is inherently social and when working effectively, results in organisational roles that are engaged through reciprocal value exchanges, as the primary engine for value generation. We also believe that in the majority of cases, business process management should be subsidiary to stakeholder engagement. In other words, BPM should form part of the stakeholder engagement activity, rather than stakeholder engagement being seen as something one does around a business process.

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<sup>2</sup> See Stabell & Fjeldstad (1998), "Configuring Value for Competitive Advantage: on Chains, Shops and Networks", *Strategic Management Journal*, 19, pp413-437.

## HOW DID WE GET TO HERE?

For those of us who have lived and worked through a generation of new management ideas, it can be a popular pastime to reflect on how each of them had over promised and under delivered. Now this isn't a reflection of their inventors. It's more to do with the popular press and our penchant for finding silver bullets.

For us, our roots are in the field of knowledge management (KM) and more specifically how knowledge is shared through relationships. KM has not escaped the "under-delivered" tag as the KM tag was used to sell anything from document and records management systems to all types of collaboration systems.

TQM, Business Process Re-engineering (BPR), Lean Manufacturing, Six Sigma and the like have experienced similar fates. The one constant for us however is that any management techniques that subjugate people and their relationships behind impersonal processes are both galling and bound for failure.

One of our most challenging times was facing the BPR and more recently, BPM movements. While not denigrating the positive aspects that these techniques can deliver, they do lead themselves to the subjugation of people and their relationships behind a wall of process specifications, by the naïve user.

In the late 1990s a few small voices were heard to plead for a balance between process and practice<sup>3</sup>. "Practice" was seen as the knowledge based activities, the hints, tips, improvisations

<sup>3</sup> For a detailed treatment see [Lock Lee, L. \(2006\) "Balancing Business Process with Business Practice for Organisational Advantage", Journal of Knowledge Management, Vol. 9, No.1.](#)

and opinions that fellow workers regularly shared as a matter of course. These informal knowledge sharing channels were particular vulnerable to the BPR knife.

In combating the information centred focus in KM, John Seely Brown and Paul Duguid published their best selling book on "The Social Life of Information"<sup>4</sup> which demonstrated that information on its own is close to worthless outside the context of human relationships and meaning.

Around this same period (pre-2000) the world's markets were building to a crescendo on the

*People were starting to challenge the traditional management responses to the inevitable economic downturns. Is there a better way? Is there now nothing left in the tank from previous rounds of cost cutting?*

back of more liberalised international markets and increased use of the Internet. An increased focus on "Intangibles" followed, led by NYU Professor Baruch Lev, who demonstrated through comprehensive empirical research that physical assets were no longer the key driver for share market success, but intangibles like reputation and human relationships were now the key driver<sup>5</sup>.

Again business leaders struggled with soft non-measurable concepts like intangibles, practices, relationships, social capital and the like.

It was with some relief that the dotcom bust and the failure of poster children like Enron and Worldcom enabled a re-focus on the tangibles.

Just as the world's economies were recovering and share market values were again looking decidedly healthy on the back of intangibles, we have experienced the Global Financial Crisis

<sup>4</sup> [Seely Brown and Duguid, \(2000\) The Social Life of Information, Harvard Business School Press](#)

<sup>5</sup> [Lev \(2001\), "Intangibles: Management, Measurement and Reporting", Brooking Institute](#)

(GFC), our biggest since the great depression of the early 1930s.

More cost cutting, more retrenchments, a focus on a return to the “basics” was inevitable. But somehow this time it’s a bit different. While austerity is still front of mind, the social networking revolution had already taken hold.

Social networking is providing the amplification of many small voices and the drums are starting to beat louder. Like Professor Lev did a decade before, the Deloitte Centre for the Edge have published some startling economic data showing that Return on Asset performance is significantly less than in the 1960s, leading firms are failing at unprecedented rates and customers are also now in unprecedented positions of power<sup>6</sup>.

However, like Professor Lev a decade before, the message is an uncomfortable one for mainstream managers. The change in management practice required to respond to these undeniable trends still appears daunting.

But perhaps this time the dissenting voices, amplified by social media appear to be making inroads, as core beliefs unsettled by the GFC, are now being seriously questioned.

So to summarise the status quo:

- There is strong evidence that it’s the intangibles, more so than the tangibles that create wealth in today’s markets;
- Mainstream management is uncomfortable with this and finding it hard to change;
- Traditional models for success are being undermined as former blue chip firms struggle to survive the GFC; and
- The small voices that have been preaching for the support for intangibles like brand, reputation,

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<sup>6</sup> [Deloitte Centre for the Edge, \(2009\), “Measuring the forces of long-term change: the 2009 Shift Index”.](#)

social capital and true stakeholder engagement are starting to gain traction.

Emanating from the Deloitte Centre and its leadership is a new book entitled “The Power of Pull”<sup>7</sup>. The authors characterise the failing traditional models of management as “Push”, where strategies and work methods are designed by the selected few with the rest of us destined to having our success measured by the degree of compliance, rather than our own passion, energy and talent.

The “Pull” alternative looks to harness the individual talents, passion and human networks to both shape, more so than design our strategies and then let nature determine who wins, as sources of talent coalesce around the most promising themes as they emerge.

Organisational Story telling guru and former World bank Knowledge czar Steve Denning has also added weight to the argument for “Pull” with his recent book on “Radical Management”<sup>8</sup>. Frustrated by the slow pace of adoption of demonstrable but new knowledge sharing practices, Denning, like Deloitte, has taken aim at traditional management mindsets.

His radical management concepts draw strongly from agile software development methods, which preach self-organisation, transparency and intense co-operative networks as their core principles.

## THE TENSION BETWEEN BPM AND SOCIAL NETWORKING

BPM is very much a tool for the “Push” generation, while social networking represents the “Pull”.

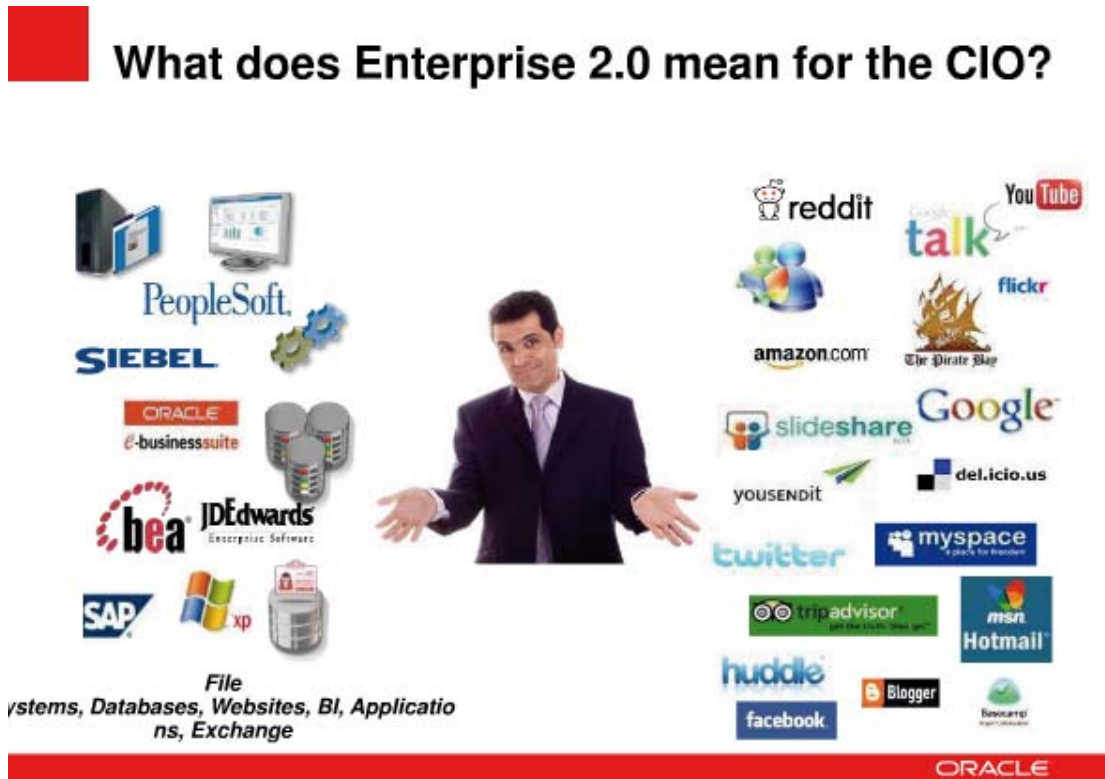
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<sup>7</sup> [Hagel, Seely Brown and Davison, \(2010\), “The Power of Pull”, Basic Books](#)

<sup>8</sup> [DENNING \(2010\), “THE LEADER’S GUIDE TO RADICAL MANAGEMENT: REINVENTING THE WORKPLACE FOR THE 21ST CENTURY”, JOSSEY-BASS](#)

The following diagram best represents the tension, at least from the perspective of a typical company CIO<sup>9</sup>:

The common pattern however is that the attrition rate on the right hand side is high and the integration invariably happens as the “new kids on the block” either go broke, get acquired



This slide was presented by Oracle’s VP for Enterprise 2.0, identifying the CIO’s dilemma. On the left hand side are the typical “Push” systems artifacts collectively referred to as ERP.

by the left hand side or manage to grow up to be major players in their own right. The main message is that integration will happen one way or the other.

These tools were said to be at best “tolerated” as a ‘must use’ by their user base. On the right are the Enterprise 2.0 toolsets, at a fraction of the cost, highly visible and a touch exciting, representing the “Pull” system artifacts.

## BRIDGING BPM AND SOCIAL NETWORKING

So here is what we are offering: a bridge between the push and the pull sides. In Stakeholder Engagement we see a concept that has the power to bridge the galaxies between social software and traditional ERP software.

This is not a situation that CIOs are unfamiliar with. The same dilemma existed on the introduction of minicomputers, client server computing, personal computing, email, the Internet and the list goes on.

Stakeholders can be identified by role or name if need be. They are instrumental in facilitating effective business processes. They are foundational to any form of collaboration. They are not confined to any particular business unit, firm or organisation. They are however

<sup>9</sup> From [Andrew Gillboy of Oracle’s presentation at the International Forum on Enterprise 2.0, June 2010, Milan.](#)

identified as anyone who can have an influence, either positive or negative, on your performance. In the end of the day, that's what successful business is about.

## WHAT IS THE STAKEHOLDER ENGAGEMENT PLATFORM?

We start with a framework<sup>10</sup>, which describes the principal steps in our Stakeholder Engagement process:



The initial phase explores the stakeholder ecosystem by mapping how your stakeholders are connected, not just to you, but also to each other. We look at three key relationships; influence, advocacy and attention; but more on this later.

Having identified the influence ecosystem and used this information to help prioritise your

<sup>10</sup> For a more detailed description see our "Stakeholder Engagement" whitepaper and video presentation at [www.optimice.com.au](http://www.optimice.com.au)

stakeholders, we move into the management phase.

The Value Flow Analysis step is critical here. This is where you and your stakeholders engage in identifying and agreeing to value exchanges that you are both willing to commit to. Invariably in this stage both yourself and your stakeholders will identify and commit to deliverables that are not being currently provided.

Actions will need to be planned and executed to deliver on the promises made in the value exchange exercises.

Finally the Implementation stage is how we make all this sustainable. In the typical "Top Down" organisations we have performance scorecards that measure our accountabilities to the internal hierarchy.

With Stakeholder Engagement your line management is only one of your stakeholders that you are accountable to. We have designed a "Partnership Scorecard™" which not only keeps track of your accountabilities to your stakeholders but also their accountabilities to you.

## BRIDGING DIVIDE WITH STAKEHOLDER ENGAGEMENT

It's time now to return to our initial claim for using Stakeholder Engagement as the bridge between social networking and business process management.

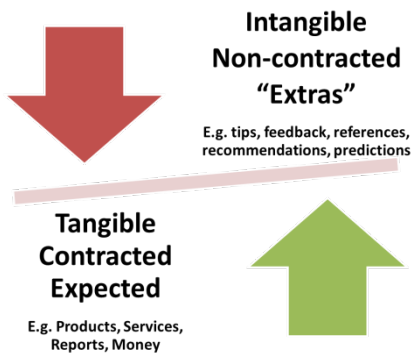
In our introduction we mentioned the emergence of the terms Social BPM, Social CRM and Social BI. We believe this is in direct response to the perceived shortcomings of existing ERP solutions. Substantially, this is the subjugation of people and their relationships to being "actors in the script".



So how do we converge social networking and social media with process centric ERP facilities using Stakeholder Engagement?

The key is how we define value. In the **BPM world**, value is defined in terms of the tangible deliverables that one role can pass onto another, with little attention to the human relationships between these roles. In the **social networking world**, value exchange is largely intangible and relationship centred. While tangible artifacts will no doubt be exchanged in a social network, these transactions would be volunteered from one to another rather than as part of a mandated flow.

Stakeholder Engagement, in the way we support it, meshes these two forms of value into the engagement process itself:



The tangible, expected or contracted flows represent what would typically be defined in a business process mapping exercise.

The intangible, informal, non-contracted value flows are what typically flows across trustful relationships. These are formally included in the value exchange on which the stakeholder relationship is based<sup>11</sup>.

We appreciate that there are some quite mechanical business processes that require little human engagement between the participating roles. A production assembly line

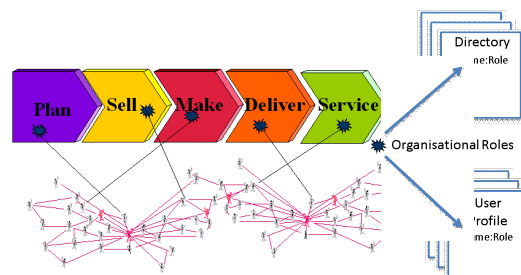
or a processing call centre could be examples of this.

On the other hand there are a plethora of role-to-role business activities that do not lend themselves to a business process definition. For example, strategic planning, research and development, case management, complex problem solving are knowledge centred and more naturally serviced by the social networking approach. They all however can be defined as a Stakeholder Engagement, with the relative proportions of the tangible and intangible value flow exchanges adjusted accordingly.

## INTEGRATING ERP AND E2.0

As mentioned in our introduction, the key point of integration is around the 'Organisational Role'. Ideally the organisation would have a directory of staff and possibly partners along with their organisational role nominated and defined. In practice most organisations are far from having this.

So as a minimum a name and organisational role would be required. As much as possible these role names should be according to a company standard taxonomy. It should also be possible for individuals to nominate multiple roles. Technically the integration point will be the directory where staff names and organisational roles are managed.



In the ERP2.0 system the typical 'User Profile' needs to include the organisational role and be integrated with the ERP directory into a single organisational directory.

<sup>11</sup> For a more detailed treatment see <http://www.openvaluenetworks.com/>



As the above diagram shows, the 'social network' of interactions will go far beyond those role interactions identified and managed through the ERP. However, collectively, all organisational interaction can be mapped and facilitated under the "New Enterprise Systems" banner.

We propose the point of technical integration as a directory which manages the information on organisational roles and the individuals that play those roles.

## TECHNOLOGY

From a technology perspective, the ERP and Social media vendors now have a point of integration and that's around stakeholders and how they connect with each other. ERP already provides the formal process definitions, role identifications and directories linking individuals to roles.

Social networking and social media technologies provide the richer channels for communications between roles and the opportunity to build trust between stakeholder roles. It's now a matter of technical integration

## SUMMARY

We have identified the Enterprise 2.0 phenomena as the latest in a long line of technology based waves that regularly invade and disrupt our enterprise systems environments.

As in the past we anticipate the inevitable fall out amongst the innovative start-ups, but with some survivors becoming industry leaders. The established ERP providers are not standing still, with virtually all of them now providing E2.0 product features.

However, technical integration of ERP and E2.0 products achieves little without a strong underpinning business integration model. We have proposed 'Stakeholder Engagement' as an effective business integration platform for ERP and E2.0 for its support of the "business relationship", the common factor between ERP and E2.0 environments.

## ABOUT OPTIMICE

Optimice provides specialised consulting services to help organisations map and improve business relationships at multiple levels. Optimice identifies relationship patterns between people, organisations or markets, and we have improved the basic techniques to optimise these relationships in a compelling business-focused context.

Our Partnership Scorecard™ helps organisations manage the intangible relationship aspects of outsourcing, smart sourcing, alliances, joint-ventures and similar complex business frameworks.

Our specialized survey tool [www.onasurveys.com](http://www.onasurveys.com) provides consultants and other practitioners the most effective and user friendly tool available on the market to collect data on business relationships.

Optimice Pty Ltd.

23 Loquat Valley Rd  
Bayview NSW 2104  
Phone +612 8002 0035  
Fax +612 8213 6274  
[www.optimice.com.au](http://www.optimice.com.au)  
ABN 92 123 562 854