

# EXPONENTIAL GROWTH AND ERP





# **Exponential growth and ERP - how to shake things up and zoom ahead.**

This whitepaper provides an introduction to the extraordinary possibilities of ERP for companies looking to reap the potential business benefits of exponential growth in the digital age.



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# Introduction

Management consultants and business journalists have been known to dig up an existing concept or two and present them to the world as fresh theories under the guise of shiny new buzzwords. The concept of corporate exponential growth fits into this category to some extent. Originality aside, however, it is a particularly relevant and rewarding concept for the digital age. Furthermore, it provides you with an opportunity to reflect upon your own company's business practices in a constructive way.



## **WHAT ARE CORPORATE EXPONENTIAL GROWTH AND EXPONENTIAL ORGANISATIONS?**

Most readers know the concept of exponential growth from mathematics, and applied exponential growth from science, biology, urban development and, more recently, from the corporate world.

In the corporate world, exponential growth occurs when an organisation's impact (or output) is disproportionately large – at least 10 times greater than the companies one would normally compare it to. Such a business is known as an exponential organisation. The exponential organisation achieves this dramatic growth via new organisational techniques that leverage accelerating technologies.

Although exponential growth is currently being presented as a new phenomenon, it has in fact been seen many times in the past when new ideas, technologies or concepts have challenged traditional ways of operating. It is triggered by new technology, new business models or an untraditional combination of existing business practices. It results in a major disruption of existing markets or the opening of completely new ones.

For example, when Henry Ford introduced mass automobile production using elaborately engineered manufacturing sequences typified by moving assembly lines, it changed the market. His con-



cept was soon copied by a multitude of other companies many of which also experienced exponential growth.

Another good example is Marconi's invention of the telegraph and Bell's invention of the telephone, both of which allowed people to communicate over long distances and even between continents. Those two inventions presented exponential growth opportunities for companies worldwide and opened new markets that had been unreachable before.

The introduction of the internet has provided a similar opportunity to reshuffle the deck. It allows companies to collaborate in new ways and to organise virtually without the constraints of large fixed assets, fixed resources or tying down large amounts of capital.

This paper will introduce you to the concept of exponential growth in the context of the current marketplace and technology. It will raise relevant questions for your organisation and present a pragmatic approach to exponential growth, including how ERP fits into the equation.



# The new digital world

## HOW PREPARED IS YOUR ORGANISATION TO THRIVE THERE?

Eastman Kodak declared bankruptcy in 2012 after having developed the digital camera and then rejecting it. When the market for digital cameras grew exponentially, neither reputation, experience nor existing sales could save Kodak.

In the new digital reality, reputation and size do not guarantee that you will be around forever, or even in the near future. What the digital world does offer is the chance to build a smart, scalable, fast-moving organisation, which can experience exponential growth. It offers a marketplace where conditions constantly change and where agility and the ability to adapt rapidly are key.

Consider a company such as YouTube, a startup founded with Chad Hurley's personal credit card and sold after just a few years to Google for \$1.4 billion. Or Uber, valued at \$17 billion - or 10 times higher than two years earlier.



Or how about The Huffington Post? It was established as an online news media, but combined traditional journalism with blogging opportunities and has grown from a modest startup in 2005 to more than 200 million unique users per month, with more than 100,000 active bloggers and an expected cap value of more than \$300 million.

The increasingly exponential growth of some companies and rapid decline of others has been confirmed in a study from Yale University, which estimates that the lifespan of an S&P 500 company has decreased from 75 years in 1920 to only 15 years today. The new disruptive exponential world causes chaos and challenges for well-established, traditional markets, but it also exposes great opportunities for any company capable of exploiting the market.

## **WHAT HAS CHANGED?**

Historically, a community's or company's growth and productivity was a function of its human capacity. If you doubled the amount of hands, you were sure to double the output. This changed dramatically with the age of industrialisation where it was no longer the number of bodies, but the number of machines and capital that defined the growth rate. Companies started to expand around the globe and developed the ability to dominate an entire sector. How-



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ever, such growth took time and required substantial capital. It also still required a vast amount of human resources.

The exponential organisation does not require vast numbers of people, production facilities or large amounts of capital. It is built on information technology, which transforms what was once physical in form, into a digital entity available on demand. We are currently in the middle of this transformation, which digitalises everything, disrupts entire markets and produces huge opportunities.

The following shows some exponential organisations and their performance improvement over comparable companies:

Airbnb	90 x more listings per employee
Local Motors	1000 x times cheaper to produce new car models
Google Ventures	10 x faster design process
Tesla	30 x more market cap per employee



This new digital world is changing key growth parameters and creating opportunities based on:

- Quality decision-making built on real-time facts and access to vast amount of information
- Unlimited access to sourcing of people, technologies, production capacities and capital
- Direct access to local and global markets
- Communicate directly with customers, suppliers and employees

Furthermore, it provides a transparent fast-moving environment, where information accelerates everything and the marginal cost of supply drops exponentially.

The new generation of companies apply a number of different paradigms to the way they operate and the way they see the world, such as:

- Rent, don't own
- Outsource when possible
- Sharing beats hierarchy
- Death to the "five-year plan"
- Smaller beats bigger in a disruptive world
- Trust beats control and open beats closed
- Everything is measurable and everything is knowable
- The ability to change fast is key
- The world is our market from day one



## THE BOTTOM LINE

A company that manages to adapt to and take advantage of the new opportunities in this world will stand a good chance of bypassing their competitors on the way to exponential growth. Therefore, it makes sense for you to ask yourself:

- How exponential is my organisation?
- How prepared are we to compete in this new reality?
- What do we need to change to become an exponential organisation?

“ We run Apple like a startup. We always let ideas win arguments, not hierarchies. Otherwise your best employees won't stay. Collaboration, discipline and trust are critical. ”

Steve Jobs



# The challenges of moving from linear to exponential growth

## TEACHING AN OLD DOG NEW TRICKS

Whereas transformation is easier for a young company, it is far more difficult for a mature company with well-established rules, traditions and structure. Organisations are generally conservative and often react negatively to the idea of change. A common way to avoid this obstacle is to start a venture outside your existing organisational structure, staff it with the most disruptive change-makers within your company, and allow it to grow and excel. Only then, begin to gradually integrate the rest of your organisation.

When applying major changes to a company, regardless of whether it is new tools, methodologies or other deviations from normal practice, there is a tendency to focus on the change itself. The people who need to understand the potential value, embrace it and put it to use, on the other hand, are often forgotten.



Recent studies on large ERP implementations, for example, show that when such projects fail, the main cause is lack of adaptation in the organisation, unwillingness to change or lack of sufficient training in the new solution. Facilitating change through internal or external transition managers is essential for a successful implementation. Rethinking flexibility and scalability into sales, manufacturing and distribution in a well-established organisation is another challenge that often requires external change facilitators.

## **THE FAST MOVERS**

Yet another challenge in this new world is how to maneuver efficiently in the deluge of available information. Where do you look? What do you exclude? How do you organise, and how do you turn this into value for your company?

While this paper does not provide a roadmap to such a transformation, guidance on how to assess your own organisation's abilities to experience exponential growth can be found in the appendix of Salim Ismail's book, *Exponential Organisations*.

Finally, companies that aim for exponential growth most often find that they need to increase agility, create a sense of urgency in the organisation, and sometimes must part company with a good deal of the company legacy and replace staff and production capacity with outsourcing alternatives.



# ERP and exponential growth

## A LIABILITY OR A FACILITATOR?

Enterprise Resource Planning (ERP) as a concept was introduced by Gartner Group early in 1990. It was seen as an extension of Material Requirements Planning (MRP), and the later Manufacturing Resource Planning (MRP II), as well as Computer-Integrated Manufacturing (CIM).

Without replacing these terms, ERP came to represent a larger whole that reflected the evolution of application integration beyond manufacturing. An ERP system is considered a vital organisational tool because it integrates varied organisational systems and facilitates error-free transactions and production. ERP has become a key management tool in the corporate world. As the graphic below illustrates, this trend has continued to evolve, with ERP embracing new tools and best practices in all key business areas.





## **HOW CAN ERP SUPPORT YOUR EXPONENTIAL GROWTH?**

One might argue that - with its rigid structure and traditional legacy – an ERP solution is a liability rather than an asset in an agile, disruptive world. However, at the same time, an ERP solution is the tool that embraces and structures the entire company. It is, in fact, just what you need to transition into the disruptive world of exponential growth. An ERP solution acts as a bridge between the old processes and the new, bringing visibility and unity into practice and ensuring structure.

## **INTEGRATION AND COLLABORATION**

ERP is in essence an integration tool that structures workflow and allows different internal and external tools to share and exchange repositories and offer instant updates. ERP is designed for sharing information with customers and suppliers and can be adjusted to facilitate collaboration between different internal and external entities.

## **ERP CAN BE YOUR FRAMEWORK FOR EXPONENTIAL GROWTH**

ERP is a powerful tool for internationalisation of companies. From the beginning, it should be an important part of the game plan for



internationally oriented companies building their value proposition and value chain in order to pursue exponential growth.

A modern ERP solution is designed to structure business-critical company information, consolidate it and make it readily available to the people who manage the company's value chains. It also acts as a framework for the company's infrastructure, its business model and best practices. ERP integrates with or frequently comprises BI, CRM, Supply Chain Management, Big Data Management, e-commerce and other areas of business. It is in fact the backbone of the company's operations and transactions. This makes ERP the perfect vessel for sharing your corporate DNA and business structure across the countries where you choose to operate.

### **THE ABILITY TO CHANGE FAST**

Whether you operate in a local setup or a globally distributed environment, your ERP solution can provide you with a uniform structure that allows you to add new features, new product lines and new business processes and apply changes simultaneously in all your locations.



## **VISIBILITY, STRUCTURE AND COLLABORATION**

Visibility is key in an organisation with exponential growth and rapid changes. How do you communicate change and have your global team members take ownership? In many instances, ERP is well suited to facilitate the transition, provide visibility and structure, and streamline collaboration when change is at play.

## **THE BOTTOM LINE**

ERP can provide much needed structure and visibility during a period of rapid growth.

- ERP is designed for sharing information with customers
- ERP makes business-critical company information readily available to the people who manage the company's value chains
- ERP allows you to add new features, new product lines and new business processes and apply changes simultaneously in all your locations



## **EMERGING AS A WINNER IN THE NEW DIGITAL WORLD**

The new digital world brings with it transparency, information-sharing technologies, easily accessible knowledge and new ways to communicate and collaborate. This has resulted in opportunities to disrupt current practices and to grow exponentially. However, in order to emerge as a winner in a disruptive and rapidly changing world, you need strong management tools and an embedded, structured system for facilitating change. This is what ERP brings to the table.



Making ERP the backbone of a business positioned for success in a fast-moving international marketplace is an integral part of how ANEGIS helps companies. To learn how we can help you use ERP as a key transitional tool towards engaging in exponential growth, contact us at [info@anegis.com](mailto:info@anegis.com)

**VISIT OUR WEBSITE AT [ANEGIS.COM](http://ANEGIS.COM)**