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As consolidation of the fresh produce sector continues, is centralised thinking always best?


The consolidation taking place across all sectors of the food industry is posing some serious challenges for larger organisations that are beginning to dominate the sector. Listening to industry pundits, the impression given is there is only one answer: a centralised single system.

However, this has not always been successful. Huge cost overruns, deployment delays, major business disruption and systems that simply do not work for the organisation have led to experts questioning this approach, which is hardly surprising given the nature of the business models in operation in the sector. The reality is that ERP systems should ideally map the business processes that each company uses to run operations. Moreover, they should be capable of rapidly flexing to meet new customer challenges. But the problem is food businesses have become more complex, are evolving more quickly than ever before and have to work harder to differentiate themselves. They have to continue to do cartwheels to satisfy the demands of the retailers, and therefore internal systems and processes have to constantly change to respond.

The mantra from those who preach the centralised doctrine is standardisation. The basic issue with that approach is how the businesses were consolidated in the first place. Usually, they were purchased from owners who were successful through being able to offer a high-quality flexible service to their clients. Imposing a standardised way of operating through rigid processes designed to cut costs forces the people to work around the procedures to continue to meet customer expectations. If they don't, the customers vote with their feet.

The reality is that many of these corporations are a conglomeration of small- to medium-sized enterprises with their own culture, processes and systems. They do not take kindly to being told how to service their clients and the kickback against the corporate-imposed mandate invariably causes disruption in the business.

The fresh produce industry uses a variety of business models to take its products to market. This means that solutions suitable for fruit businesses have little in common with, for instance, a vegetable supplier. Industry consolidation will invariably bring those disciplines together as supermarkets drive towards reducing the number of suppliers. Imposing a one-size-fits-all corporate solution across all business units means that there is a high risk of project failure.

Where multiple company deployments are involved, it is worth considering how to combine the needs of the group and subsidiary. The ERP "Hub and Spoke" approach, when properly deployed, caters for both. Its low-risk, cost-effective and rapid-deployment attributes resonate well in the current risk averse environment. 

FPJ's former Anglia Business Solutions columnist David Hurley sadly passed away last week. See page 6.