



Why are enterprise engines running in reverse?

As 2005 begins, it's a foregone conclusion that manufacturers will continue their relentless push to offshore both manufacturing (via China) and services (via India). However, it doesn't appear those same companies have rethought their IT portfolios, nor how the solutions within them should be deployed given this change in execution strategy.

Many manufacturing applications installed in the 1990s—including ERP and supply chain management systems—were put in place with

fewer have deployed solutions that deliver quality, scheduling, and planning data between U.S.-based manufacturers and their foreign suppliers.

Lack of automation manifests itself in various ways. Logistics costs and visibility are major problems that exist today between China and U.S.-based customers. Quality—or lack thereof—and product data is not being captured at the source and relayed back to U.S.-based companies. This will have financial ramifications for manufacturing companies

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given new SEC rulings announcing “material events” at the time of occurrence. SEC penalties and fines may trump an inexpensive manufacturing price.

Unfortunately, most 1990s solutions weren't meant to either gather

the idea that most manufacturing occurred within the financial four walls of a single company. They were deemed important and necessary so that companies could manage and optimize an array of manufacturing resources.

The systems were built to accommodate this reality and were deployed to take into account multidivisional and multiplant requirements. However, as companies continue to move operations and services abroad, they have not further leveraged these capabilities, but rather the reverse.

They still have the same systems, but rather than retuning them—or building newer systems—they have either shut off major portions of them, or decreased the number of users. Systems that were supposed to manage all of a company's manufacturing needs are handling a dwindling number of operations and processes.

This means companies don't have key data and information as to how their extended supply chains are performing. A few companies have deployed collaboration tools that bridge issues between suppliers and buyers. Even

or send this type of information between different companies. Portal products are a first step, but most will require a build-it-yourself approach.

Worse yet, few software-license agreements permit “sharing” portions of the application with suppliers or customers. This lack of licensing flexibility is leaving many customers with excessive internal user licenses and a dearth for external users.

All these issues highlight that companies need to inventory current applications and capabilities with a much more distributed future in mind. Next, they need to work with current technology providers to better accommodate and support resources external to the company. Finally, companies will need to either build or buy new capabilities to better control and gain visibility of key supplier metrics.

Unless companies that are offshoring make some major changes, they will run into quality, compliance, and logistics problems sooner rather than later.

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