THE UNICORN AND ERP

MEET
ERP

In the last ten years we have seen an explosion of unicorn companies, companies that have had stratospheric development and growth. It is amazing to see a fledgling organization almost transform overnight into a potential giant.

Reading stories of individuals that are one degree away from broke to then becoming valued at tens of millions because their idea meets the need of the mass populace.

WHAT HAPPENS TO THESE UNICORNS?

They grow and have investment thrown at them or they get bought out and placed into a large corporate machine. But one thing that is common with the unicorns is their record and back office systems. It is amazing what these organizations are run on and how they survive the explosion of business.

Experience from working with an acquired unicorn that had a 10,000% growth valuing from pin money to hundreds of millions in less than a year astounded me. Their company was high net worth individuals with a high-cost product that had multiple options and therefore multiple billing and accounting requirements.

For two years they worked on a small business accounting system one step up from your QuickBooks. They had tens of thousands of customers, turned over millions of dollars. Their inhouse development team was north of eighty people in three different locations, their mobile application was flashy, looked extremely sophisticated and the marketing for their product worked brilliantly.

The CEO would come up with product variations every couple of months, as well as adaptions to keep customers loyal. From the outside the organization was hugely successful, they were featured on news channels in business publications and even mainstream lifestyle magazines.

Their success was such that like many other unicorns it attracted the attention of a bigger established player. The deal was done the unicorn was sold for an obscene amount of money and the new owner wanted to start to report on performance and collate data into the group's reports.

THE PROBLEM

Unbeknown to the new owner, their glowing prize held their invoices on a Dropbox account, there was no real reporting structure. The accounting practices were basic and complimented with excel spreadsheets and mail merge programs.

The company had grown so quick its ability to transform its back office into an enterprise operation, could not be thought through as it was too busy servicing the front end and as it grew. It did what a lot of unicorns

do and threw bodies at the problem to carry on the manual processes. Placing a metaphorical band aid to stop a pulsing artery.

The company was surviving, its survival was based on basic process, therefore deep dives on things like refunds, price changes, different products and credit control were given a cursory glance. The company was making money and it could cover its costs, there was no reason to worry about these items if the bottom line was a big positive number. What went on between the spreadsheets did not really matter.

The catchup occurred when the corporate integration had to happen, the radical change to the processes meant that the fabric of the unicorn had to alter. Bringing change into the little office with a big bank balance was never going to be easy. Our first great challenge was trying to identify what actual business processes existed. The new owner had an ERP, it had a set of processes for the usual procure to pay, record to report, order to cash. It had a master data policy and structure.

The unicorn had spreadsheets and Dropbox, it had its small business accountancy package, that wasn't what the big boy company bought them for. Our job was to shoehorn this organization into the bigger corporate world. Reviewing customer records for data migration should have been a quick and easy job, yet the structure and policy for customer records was, let us say flexible and open to interpretation.

THE OUTCOME

After several months, we integrated the company, and it started to align to the main processes. But thinking about this situation it raises the question when should the unicorn take that leap from the small business to the enterprise level system?

Is there a key indicator or trigger that says "you guys have made it, and now it is time to spend on your back office?" It's a difficult question to answer and only one that needs reviewing following a life event, like acquisition or downturn in earnings. The problem at that point is the collating the data sets for migration.

The intention here isn't to tie down the unicorn and stifle it with process and systems, its understanding when structures need to evolve and when the backend processes become cost burdens rather than operational efficiencies.

THE SOLUTION

What key indicators trigger this decision, is it the number of documents being uploaded to Dropbox? The Number of refunds or alterations carried out on orders, or even order volumes? It could be any one or a combination of all of them. What is key is to find solutions that grow with the organization. Looking at

solutions from the big ERP houses that allow ground level entry at the cottage industry size but can adapt and grow to the greatest Manhattan tower blocks.

Building the ERP does not have to be expensive and can be maintained efficiently. The key is being able to integrate systems for end-to-end delivery. Front ends that can feed billing engines, which in turn can collate and reconcile cash position. These solutions are out there with a lot of the required functionality coming out of the box.

More importantly the architecture has developed that unlike ten years ago, almost all these solution providers have cloud offerings which means little to no maintenance. The advantages are that the data is secure, backed up and there is little if no concern about outages, or disaster recovery.

If you are a unicorn board member or founder, I am sure the world is growing very quickly, but it is important to plan your back office to be supportive enough through growth.