Of E.R.P. Cannibalism, Eggs and Baskets

Those of you who own Baan software got a real shock when it went bankrupt a few years back. Last month it was sold again. The buyer also owns SSA. Whose product will be canned? They have $13B in the bank and are looking for more…Who? Some may have moved from Baan to Peoplesoft to avoid the instability in the destiny of product. Larry's Oracle now has the Peoplesoft clients tasting the same medicine as the JDEdwards clients and the Baan clients before them.

Whether it is Baan, (bought for $135M), JDEdwards (priced at $1.7B), or Peoplesoft (priced at $6.1B) does not change any of the multi-millions of dollars that their clients have bet on their products and their staying power. Where can one hide from this artificial obsolescence plague? Even laughing SAP should beware. Bill could buy them with his piggy bank. Or scare the stuff out of their prospects and clients for a few quarters…

When a company is publicly traded, there is nowhere to hide, no matter how many poison pills are invented. And all the global solution corporations have a "hit and run" fast-growth-always-required approach. Whenever the market does not support fast growth, they choke. Lawson's last quarter saw license revenues drop 72%… That's fast un-growth. When that happens, they try to create oxygen by reducing the number of living. How much money you had bet on that corpse does not come into the equation. The industry leaders have as a group a business model which cannot be fed by one planet only. Where else do you have to go?

Maybe the real question should be how do you set up not to suffer too much when these inevitables happen. Just like one does in the management of an investment portfolio. Spread the risk. Suffer less when one of your gambles gets eaten up. It always amazed me that all these prudent CFOs who would never think of buying all Peoplesoft, or all SAP, or all whatever shares for 100% of their personal investments, or those of their pension funds, think nothing of gambling 100% of the corporate investment in IS on a single supplier. In investment parlance this is unwise risk concentration. In the IS world, it is a wise thing …!? Same shares, same companies, same decision-makers…

So, back we are to Best-of-Breed. Again. And typically, Best-of-Breed corporations have a greater "client intimacy" approach, revenue streams for implementation and on-going services. They are not hell bent on yearly 40% growth and hence they do not necessarily choke in a flat market. They do not need to sell the soul they had promised to their clients to a killer-acquirer. And if they are privately owned or at least controlled, nobody can pull a hostile takeover on them and you.

And if it still happens, it will hurt less because it will only be a part of your IS blood taken away.

In other words… in order not to have all of one's eggs in the same basket, one must have more than one egg. MULTIPLE SUPPLIERS IS LESS DANGEROUS. Happiness is in shared standards, not in one-only supplier.

Best-of Breed, private, client intimate, not for sale, not large enough to draw attention from the killer-acquirers of market share, in business longer than any of the other corporations named herein, no oxygen depletion in flat markets…Sounds like D.L.G.L.…

…just thought it would be nice for some to hear a message of stability about one part of their I.S. portfolio… and as always, thank you for believing it is possible.

Jacques Guénette

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