



CHOOSE THE RIGHT ERP AT THE FIRST TIME

An ERP Selection Process That
Guarantees Results

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DISSATISFACTION BEHIND ERP SOFTWARE

There are over 1,000 manufacturing systems in North America and yet The Wall Street Journal has stated that “73.8% of all manufacturers are dissatisfied with their current ERP systems.” Why?

There are a number of theories why implementations have problems:

- Poor planning or no planning at all
- Top management not involved or did not commit to the project
- Unreliable data
- Lack of training or implementation assistance
- Poor selection process
- Lost project momentum
- Business processes are not corrected

But the main reason that implementations fail is the legacy selection process commonly used is flawed.

FIRST FLAW STARTS WITH BUDGET

The first step in any selection process is expenditure approval. Middle managers spend days defining their selection process plan. The more detailed the budget approval request is, the more detailed the selection plan is, the more due diligence is assumed and therefore upper management's perceived risk is lessened. The legacy selection plan usually contains:

- A multiple page, detailed system requirements definition (sent to a short list of vendors for confirmation), and submitted as a Request for Proposal (RFP)
- Multiple, onerous “sales demos” with various systems
- Telephone reference calls on the selected vendor

A middle manager can get so obsessed with budget approval; and the upper manager can get so consumed in confirming the selection process is sound, that the most important objective in selecting a new system is often overlooked. Which is to ensure your company is successful with the new system! All other considerations are secondary.



SEARCHING THE FUNCTION-RICH SYSTEM

Systems Today Are Function Rich

Our Findings



All ERP Systems appear to be similar.



All ERPs emphasize integration across departments.



All ERP systems provide real-time data analytics and reporting.

The more you evaluate, the more you realize ERPs include tons of functionality. The problem is they are so feature rich they get cumbersome and too difficult to learn.

Then why do we devote our entire search to evaluating which system has the best and/or most functionality? Is it because new systems are purchased only every ten years, therefore, few have the experience to learn from their mistakes?

Consider This Perspective

Carefully define the strategic questions you plan to ask references. Of course, consider your organization's key requirements and industry standards. But also think about less obvious questions that can reveal deeper insights. For example: Which system did they use before? What did they like or dislike about it? Understanding their perspective helps you assess the value of their opinions. If they previously used a simpler system (eg accounting only), almost any new system will appear like a big improvement.

LEGACY SELECTION APPROACH

1

Issue a detailed multi-page novel called the “system requirements list” to all software vendors to all out (honestly) thereby confirming which match. However, as software companies want to remain in consideration, they are motivated to answer each question with a carefully worded “yes we can!”

2

The selection team then shoulders the arduous task of reviewing “sales demos” trying to decipher the differences. Demos are designed to look perfect, or the software companies would go out of business. Therefore, they employ professional presenters who navigate around their system weaknesses to show their software in the best light.

Remember the first day you looked at the ERP you use now? How difficult did it seem then versus today? How many months did it take before the haze lifted and the system became second nature? Is it even possible to recognize the pros and cons of any system in a few-hour sales demo?

3

You then call references to confirm that companies are happy. Where did you get the references from? Did the software vendor carefully select their very best customers that swear the software turns water into wine?

4

And voila ... you have selected the very best system for your company. Or have you?

A FRESH APPROACH TO SELECTING ERP SYSTEMS

If time is money, then tasks like evaluating software impact your bottom line. The step-by-step, due diligence process historically used costs \$100,000s of internal resource time. How can we speed up the ERP selection process, and at the same time ensure our result will be successful?

The most important factor in selecting a new system is to make sure your company is successful with the new system. If 73% of manufacturers are not satisfied with their current ERP system and used the same selection process as you, why will yours be different? Maybe a different process should be investigated.

This 4-Step Plan is only common sense. But even better, it will take far less time to conclude, and your results will be guaranteed!

What is the goal when selecting a system? To make sure the system will achieve the promise and results you expect.

1

Justify the ERP purchase with a business case. Will a new system provide you with a measurable return on investment? Or would streamlining your processes get the results you desire? Converting to a new system is difficult enough. Make sure that the effort is warranted - or else don't do it. Remember, if you do not streamline your processes, a new ERP will only place pretty screens in front of your current problems.

2

Document critical requirements that are unique to your company. Then match these must haves to the ERPs. Please note: Critical requirements only. We can all assume that most systems will have an "Aged Trial Balance." Keep your list to two pages so it is manageable.

3

Learn from un-biased experiences by visiting other companies using these ERPs. However, not those ERP vendor gives you. Ask them to be local, a similar size, in a similar industry (or with similar "must have" requirements) and have been using this version for more than 12 months (past the learning curve).

4

Software price is a certainty. Implementation and training costs directly relate to how much you participate versus the vendor. All ERPs require the same steps to implement. You decide who does what and therefore how much it will cost.

HOW TO GET VALUE WITH SALES DEMO?

Consider it can take years to become fluent with any new ERP. Yet ERP sales demos usually last a few hours. What can you possibly comprehend from watching a 3 hours sales demo?

You will never see pre-sales consultants (demo presenters) after you purchase. How about if you demand that the vendors bring in the trainer you will work with post sale, to show the software. Trainers must live with their promises after the sale and will be quite forward about what the system can or cannot do. Trainers are rarely offered to prospective customers because existing customers are paying them to implement. So why don't you offer to pay for their time? This 'proof of concept' demo may cost a few thousand dollars but will be far less expensive than the time-consuming legacy method.

Have the trainer set up the software around your requirements and enter a sub-set of your data. The intention is to present the system as if it were live at your facility. Again, you may have to pay for this service.

The goal when selecting a system is to make sure the system will provide the results you expect, and you are happy with it. By following this simple process, emphasizing your critical requirements, you will not only get the right fit system for your company, success is guaranteed.

If you fail to implement, why do you care what software does?

For more than 4 decades, Andy Pratico has worked with thousands of manufacturers. He has seen many implementation success stories, but sadly many more failures. To help companies increase their probability of success, Andy presents common sense workshops.

Consider This Perspective

Many ERP-related costs only surface after go-live. These include:

- **Actual Capabilities:** What can anyone learn by watching sales demos?
- **Lack of Local Support:** Is online ongoing vendor support good enough?
- **Technical Consulting:** Third-party experts brought in to address issues or performance.
- **Organizational Change Management (OCM):** The effort needed to train employees, manage resistance, and streamline new processes with business goals.
- **Data Migration:** Cleansing, mapping, and transferring data from legacy systems into the new platform is never easy.
- **System Integration:** Connecting your ERP with other enterprise systems or third-party tools, may require custom APIs or interfaces.

To reduce these costs, is it best to plan early.

CONCLUSION

If time is money, then reducing the time to evaluate software is profit to your bottom line. The process historically used costs \$100,000s of internal resource time. How can we speed up the ERP selection process, and at the same time ensure our result will be successful?

The most important factor in selecting a new system is to make sure your company is successful. If 73% of manufacturers are not satisfied with their current ERP system and used the same selection process as you, why will yours be different? Maybe a different process should be investigated.



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