



ENTERPRISE RESOURCE PLANNING

How to select your ERP without losing your mind

(or your job)



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Introduction

Finally ... An ERP Selection Process that Guarantees Results.

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 system.”**

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 that the legacy selection process commonly used is flawed.***

The Budget Approval Dance

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

The 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



So many companies simply “hope” for success with an ERP implementation.

You can plan for success.

Fact

According to an article in The Wall Street Journal, 73.8% of ERP projects fail in one of three key dimensions: cost, duration, and/or realized business

important objective in selecting a new system is often overlooked.

The most important goal should be to ensure your company is successful with the new system! All other considerations should be secondary.

Systems Today Are Functionally Rich

The more you evaluate systems, the more you realize none lack functionality. The reason they fail is not because they are missing features, it is the exact opposite. They are so feature rich they are 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, no one individual has the experience to learn from their mistakes?

Let's review the legacy selection approach described above.

1. Issue a detailed multi-page novel called the "system requirements list" to all software vendors to fill out (honestly) thereby confirming which match. However software companies want to remain in consideration, and are motivated to answer each question with a carefully worded, "yes we do that!"
2. The selection team then shoulders the arduous task of reviewing "sales demos" in an attempt to decipher the differences. All "Sales demos" are designed to look good. If the "sales demo" did not look good, the software company would go out of business. Software companies hire professional presenters who know how to navigate around the weaknesses of their system and precisely which keystrokes will present their software in the best light.
3. Remember the first day you looked at the system 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 possible to recognize the pros and cons of a system you are reviewing for the first time in an 8 hour "sales demo"?
4. You now call references to confirm that companies are happy with their systems. 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?

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



What the ERP Salesperson doesn't tell you

They say the difference between an ERP and a car salesperson, is that the car salesperson knows he is lying. Is the information the ERP salesperson telling you the truth?

Reviewing ERP systems is not an everyday task. So it is no wonder you don't know the right questions to ask. Chapter 1 will provide food for thought regarding not only what to ask, but how to interpret their answers.

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What the ERP Salesperson isn't telling you (and various claims they might)

According to an article in The Wall Street Journal, **73.8% of ERP projects fail in one of three key dimensions: cost, duration, and/or realized business benefits.** Much like the characters in Charles Dickens' novel, those trying to select and implement ERP software are faced with high hopes and great expectations, only to face significant challenges and some bad decisions along the way.

The good news is that there are some lessons to keep expectations aligned with reality. It is important to watch for the pitfalls and land mines that often lead to unrealistic expectations. For example, how many of the following statements sound familiar?



The most important goal should be to ensure your company is successful



“Let me show you how easy our software is”

Salespeople or professional demonstrators are trained to present their software to appear as easy as possible. The truth is, it is impossible to know how easy the software is until you have been using it for over 12 months.

Ask the customer references you speak to if the system is as easy to use and implement as they originally anticipated.

A Suggestion...

Ask for a list of customers in your area that have been using the system for 12+ months, preferably in the same industry (similar requirements) and a similar size. Then from that list you can choose which to speak to, and visit at least one (you might even recognize one).

If they do not have customers in your area that meet all the criteria, ask to visit a local customer that is a similar size, and to speak over the phone to a customer in a similar industry (confirming the system has had success in your industry).

“Let’s schedule a demo...”

All “sales demos” look great. If they didn’t, the software company would go out of business.

The only way to truly evaluate a system’s suitability is to visit a company that has been using it for at least 12 months.

Why do you think the salesperson is so anxious to provide a “sales demo”, but are not so quick to give you a list of local customers you can visit?

“Our software is being used by 1000s of Companies...”

But which trainers will implement the system with you and how much experience do they have? The software may be the rated best in the world, but how many companies similar to yours has the reseller worked with? Some resellers use new customers (you) to gain experience with the software. Or would you prefer to work with a reseller that has experience already?

There may be thousands that use “a version” of the system, but how many are on the version you are being shown? Be careful with this especially if the ERP has had a complete re-write and not tested yet.

“We can implement the system for you in three months or less...”

You can have a cheap, fast or quality implementation, but you only get two. The software VAR may have one example of a fast implementation, but did they have previous experience with that ERP, how much did they pay for services, and how complex was that company's requirements?

The ERP industry average time to implement is six to twelve months. Ask references how long it took them to implement versus what was promised. The longer it takes to implement, the more it will cost in lost staff productivity as well as additional training costs.

Software vendors are notorious for over-simplifying the implementation process during the sales demo. Most sales reps don't know (and in some cases, don't care) what it takes to do an ERP implementation correctly, but they do know they want to make the sale. So it is in their best interest to downplay the potential time, costs, and risks associated with implementing their software.

Most projects take longer than and/or cost more than expected, so make sure you're not basing your time line and budget (and career) on overly optimistic and unrealistic estimates. Instead, use benchmarks of what other companies similar to you have actually achieved. A more realistic expectation: ERP implementations are difficult and complex business transformations, so budget time, money, and resources accordingly.

“Our next version has that...”

The next version does not exist today and may never. Software developers change their Product Road Maps weekly. What is promised this week, can change next. And if the vendors' next upgrade is a “new technology” complete re-write, the only guarantee you can bank on is that it will be completely different from what you are seeing today (and probably very buggy).

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