

ERP Selection

Make it easy... Don't worry about the functionality, concentrate on your implementation partner

During the course of my career I have used ERP as an End User, Commercial Manager, IT Manager, Consultant and IT Director. I have experienced many software selection projects and sat through endless demonstrations by software vendors including SAP, Microsoft, Baan, IFS, Oracle, Movex *et al* and I have reached a point of view which I believe will allow you to gain more from your next ERP investment.

If you are a company that is seeking to buy ERP software for the first time, or are evaluating whether to upgrade your current system, or move to another vendor, don't spend too much time making the choice about the software – use your energy in selecting the right implementation partner.

Methodology over Functionality...

The truth is that most products on offer have generally reached a point where they do many of the basic things a business requires in very much the same way. For instance, finance in most companies consists of a general ledger along with sales and purchase ledgers. Bar a few bells and whistles you will probably find there is not a great deal to choose between any of the vendors on how this is handled within their software. Ditto, manufacturing, MRP, inventory management, sales and purchasing. It is a safe assumption that if you've heard of the software and it is used by hundreds of companies then it will do what you want it to.

So if you are contemplating, or are in the process of selecting a new business system do yourself a favour and save yourself a lot of time, and money into the bargain, and choose from a shortlist of vendors that readily spring to mind. I urge you not to spend months collecting user requirements from your business and then asking each vendor if they are able to satisfy the requirements listed.

In the first instance, for the majority of requirements they will say 'yes' (and quite rightly). For some of the requirements they will say that it is '*possible with some modification*' or the frequently used expression is '*it is in the next release*'. Finally some of the requirements will be so esoteric that they will convince you, probably rightly, that it's not supported because 'it is the wrong way to do it'.

By cutting out this approach to your software selection you will save yourself months of work and speed up the decision making process. This is important because you will only begin to realise the value of the software investment once it is live and working (and sometimes some time after that) and not from the time you decide you need a new system. As each day passes you are not gaining the benefits of lower stock, slicker planning processes, better customer interactions, improved supplier relationships, or happier employees.

As part of your justification process you will, no doubt, have listed the value added or the costs saved by having a new system. Simply divide the annual saved or gained by the number of working days and this will show you and your board how much each days' delay could cost for doing something that is, I believe, ultimately is unnecessary.

But it's not that easy....

Don't think I am suggesting that you should be gung-ho about the selection process though - far from it! What I suggest is that you concentrate on how you are going to deliver and support your new ERP project – and also the ongoing cost of optimising and supporting the system in the years to come. It is here that there can be a substantial difference between the vendors' offering.

Below I talk about the different vendors approach to the market place – ultimately this will probably affect the overall cost of your system more than the relative licence costs presented.

Delivery of the system by experienced people with good business knowledge and on-going support of both your business, and the technology that supports it, is what will be adjudged as successful in the long run.

Poor implementation and a lack of after sales support won't make highly functional software work well. However, good support and a professional, thorough implementation can make almost any software a good fit.

How the ERP Vendors' Philosophy Affects You

There can be significant differences in the go-to-market approach and the support ecosystem of the major software vendors and this must form part of your decision making process.

Some vendors do not support and positively discourage independent companies offering independent advice. The aim is to ensure that all revenue from consulting and other activities, such as customisation delivery, is earned by them and not any third party. In this event it is likely that resources will be limited, and relatively expensive. It may also be with such vendors that they don't encourage third party applications to work with their systems – again this will be to protect their revenue streams – they want to sell software licences, not allow other people to do it.

Other vendors positively encourage a partner ecosystem that ensures the software's users have a broad range of partners to choose from. They will also offer certification on their products so there is a thriving marketplace of professionals that are able to support the software user over the long term. This offers two benefits; access to the skills needed and also lower relative costs.

Between these two 'extremes' there are businesses that try to be a bit of both. They want the 'big' deals but are relatively happy to allow 'partners' i.e. independents, to provide support and consultation services.

Depending on which software you choose then a different set of questions will present themselves.

Making your Vendor Shortlist

During the 1990's and the run up to the millennium there was an explosion of ERP companies fighting to provide business systems to a user community that was, at once, terrified by the doom mongers telling them of the Year 2000 bug, and at the same time excited by the possibilities of what a joined up 'enterprise' software system could do for their businesses.

Many of the software houses grew by making 'big wins' with global companies which allowed them to go and sell even more licences using the selling proposition that 'If ACME company uses this and they are successful then you will be too'. And for some companies it worked very well indeed.

It is possibly true that in a reprise of the VHS v Betamax battle some software vendors, though having better software, more modern technology and better implementation methodologies, didn't gain ground against the 'big players' that had sales techniques that made sure that they achieved the big wins.

After 2000 the ERP market began to contract substantially and this saw a number of ERP vendors, particularly those that hadn't worked in particular niches, begin to fail and be gobbled up either by the large successful vendors or by venture capitalists hoping to sweat the assets (this is basically the annual maintenance fees for the software levied from the installed base) of the acquired companies.

When I first drafted this article I did list 4 ERP vendors that should be on your shortlist. Having thought about this I've scratched the section entirely. Why? Well, I know that there are a couple of vendors that will pop into your mind when you say ERP (and if they aren't popping into your mind now I suggest you speak to a couple of your colleagues) but I don't know what industry you are in – and there may be a dominant ERP in your industry sector that should make your shortlist too (and allow you to be a 'me too' company (Joke!)).

What I will recommend to you, and this is where I do have an interest, is Microsoft Dynamics AX 2009. Why, again? Well as a business we chose to install and support this software because of its functionality and the support eco-system. It's not to say I've always thought this. As European IT Director I blocked projects on two occasions to implement it due to lack of functionality – but that was in previous versions.

So, in conclusion, I believe that the best ERP packages have similar functionality and that the vendors go to market philosophy, and the implementation partner you select, are more critical than the functionality. Therefore spend your valuable time concentrating on those elements.

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About the Author: Martin has worked as an IT consultant for Deloitte and Touche and also as the European IT Director for Mondi Packaging, a division of the FTSE listed company, Anglo American. He has overseen both growth and downsizing of large IT departments and managed IT outsourcing arrangements.

About Neustro: Neustro are the business systems experts - design, implement, manage and support IT for business – from e-mail to ERP. From one-off projects to a complete outsourced service. Neustro are specialists in Microsoft Dynamics AX and Infor Baan.