

Andy Pratico Jan 27 presentation for Fraser Valley APICS
Chapter

How To Select ERP Software

(and be 100% satisfied)

- ♦ **There are 100s of ERP/MRP systems to choose from.**
- ♦ **Yet 83.8% of all IT projects either cost nearly double of original budget or never finish . (www.standishgroup.com)**
- ♦ **Why?**
- ♦ **Is the selection process flawed?**

What are common steps in selecting software?

- ⇒ Budget approval
- ⇒ Define requirements (RFQ)
- ⇒ Send RFQ to software vendors
- ⇒ Request pricing
- ⇒ Reduce to a short list
- ⇒ Entertain sales demos
- ⇒ References
- ⇒ Decision

Getting budget approval

- ⇒ How do we know how much to ask for?
- ⇒ How do we convince Upper Mgmt for approval?
 - ⇒ We start by asking software companies how much?
 - ⇒ We prepare a detailed ROI
 - ⇒ We present our selection process to Management to prove we will be thorough.
 - ⇒ Now we are forced to stay on track with our defined process

Define Requirements (RFQ)

- ⇒ We get input from every department and sometimes every person in the company
- ⇒ The resulting novel is very impressive

Every RFQ question is detailed including:

- Does your system have an aged trial balance?
- Does your system have an MRP module?
- What kind of hardware is required?

Send RFQ to Software Vendors

- ⇒ Send the novel to 20 vendors
- ⇒ Vendors would not respond if they were not a reasonable fit ... Would they?

How many of the 20 will respond?

Do you think they will be honest in their responses?

Not to worry, we will insist they prove they can do it all during the “Sales Demos”

Request Pricing

- ⇒ This is the easiest portion to evaluate when reviewing ERP ...
- ⇒ Or is it?

The Salesperson will ask you “how much is your budget?”

If your budget is \$100K and the software price is \$95K, guess how much training will they put on the quote?

When you run out of \$5K worth of training and you need more, who do you buy it from?



Create a Short List

Now we have:

- ⇒ RFQ responses
- ⇒ Initial pricing
- ⇒ With that research, it should be easy to short list, shouldn't it?

All RFQ respondents have answered yes to everything

All pricing is just under your budget

How do we short list again?

Sales Demos

- ⇒ We'll invite the short list in for full day presentations
- ⇒ We will ask them to use our data so we can recognize which ones fit our needs

"My staff is very experienced and will be able to determine which is best for us by reviewing the sales demos"

Five Questions To Consider:

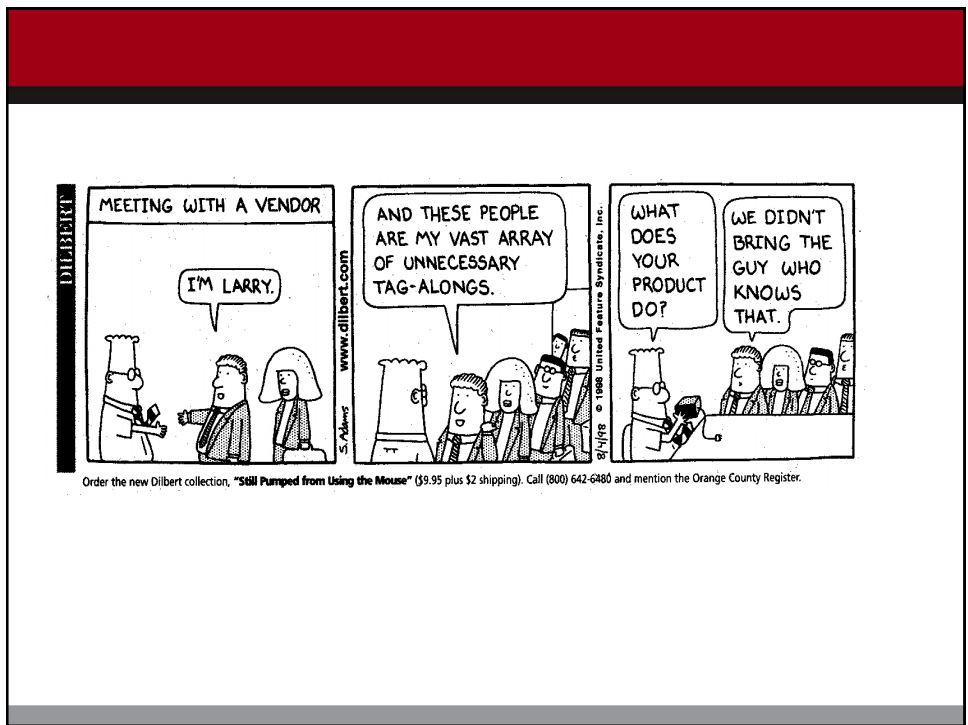
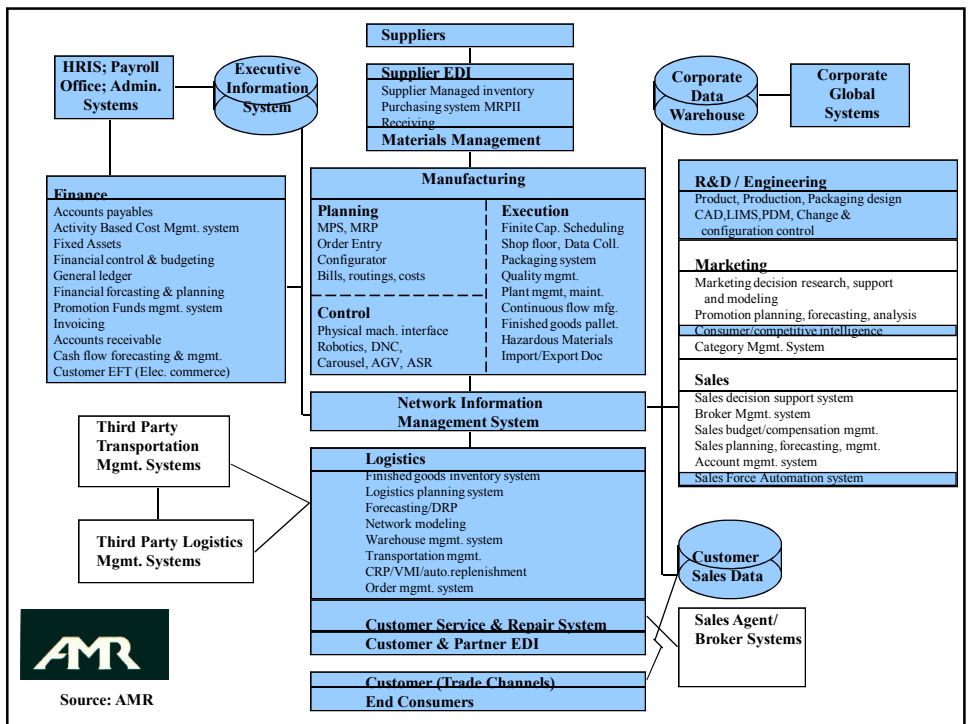
Which of you uses an ERP system today?

How fluent are you today?

How much did you know the first day you had the system?

How long did it take before you were fluent?

How much will you know after reviewing an 8 hour "sales demo?"



References

⇒ As a final step ...

⇒ We will ask the remaining vendors for references

Which ones do they give us to speak to?

What do we learn when we contact them?

If the statistic says 83.8% of manufacturers do not like their existing ERP systems, why do all the references we contact love theirs???

Decision time

⇒ Or is it “leap of faith” time???

Let's Review

- ⇒ **Budget approval**
 - ⇒ Are we guessing?
- ⇒ **Define requirements (RFQ)**
 - ⇒ The book is so thick, you can't focus on critical issues
- ⇒ **Send RFQ to software vendors**
 - ⇒ They all respond yes
- ⇒ **Request pricing**
 - ⇒ They are all just under your budget
- ⇒ **Create a short list**
 - ⇒ First leap of faith
- ⇒ **Entertain sales demonstrations**
 - ⇒ They all look similar, but at least we've increased the size of our novel with "cool new" features we've seen that are "must haves" now
- ⇒ **Ask for references**
 - ⇒ They all love the systems they have
- ⇒ **Decision**
 - ⇒ Who said selecting ERP systems is difficult?

If 83.8% are problematic ...

And if we use the same selection approach
as the 83.8% ...

Why do we think we will have a different
result?

Step # 1 – Does your Business Case justify ERP

- Implementing a new system is one of the most difficult tasks a company ever endeavours
- Have you identified the business case elements and economic benefits to justify?
- Have you identified the potential risks?
- Can you apply a quantative value to justify the effort?
- If not, then you should spend your efforts elsewhere

Step # 2 – Improve Processes First

- Straighten the cow path. Don't just pave over it.
- If you do not fix your processes first, you will hide your current problems with just a pretty screen.

Step # 3 – Focus on critical requirements

- It is much easier to confirm which systems will meet your real needs and should be on your short list.
- If they don't meet your critical requirements, why waste any more time with them?

Step # 4 - How do we uncover the truth?

To get past the Vendor's best customers, ask for a list of companies that are:

- ⇒ Local – confirm local support
- ⇒ Of similar size – confirm system is right size
- ⇒ In a similar industry – confirm similar requirements
- ⇒ Have been using the version you are considering for 12+ months – More than 12 mos because they will be fluent (they will know the pros and cons)

If you demand to speak to companies that meet these criteria, the Vendor cannot only provide their “stellar” customers

Step # 5 – If you still are not comfortable

If you still do not have the confidence to choose, schedule software presentations.

- But have the Vendor's trainers present, not the professional presenters – (you may have to pay).
- Trainers have to put up with you after the sale, so they are more apt to tell you the truth up front.

5 Simple Steps to a Successful ERP Selection

- ⇒ Do you have a Business Case?
- ⇒ Improve Processes First
- ⇒ When discussing functionality, focus on your unique and critical requirements
- ⇒ Instead of “Sales Demos”, visit companies that have used the system/version for 12+ mos. (in the same geography, same industry and same size as you)
- ⇒ If you entertain sales demos, pay the Vendor to send in their trainers, not a professional presenter who has no skin in the game after you buy.

As Easy as Toast.



Just Common Sense