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How to select ERP software  
and not lose your mind,  
(or your job)

- Discuss commonly used strategies for evaluating ERP and their current results
- Discuss an alternative method

# So Many Systems



- ▶ 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](http://www.standishgroup.com))
  - ▶ Panorama ERP Implementation Survey Results
    - ▶ 93% Took longer than planned
    - ▶ 65% were over budget
    - ▶ 79% Realized less than half the planned benefits
- ▶ Is it because the original selection process is flawed?

## What are the usual steps in selecting ERP software?

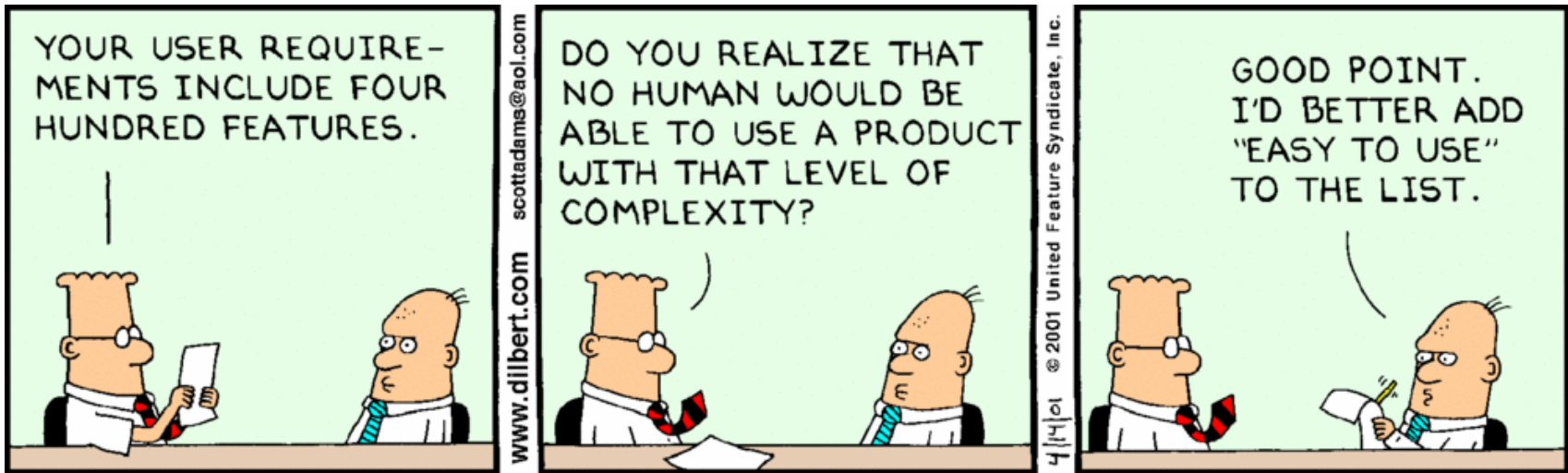
- ▶ Budget approval
- ▶ Define requirements (RFQ)
- ▶ Send RFQ to software vendors
- ▶ Request pricing
- ▶ Reduce to a short list
- ▶ Review sales demonstrations
- ▶ References
- ▶ Decision



- ▶ How do we know how much to ask for?
- ▶ How do we convince Upper Management 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

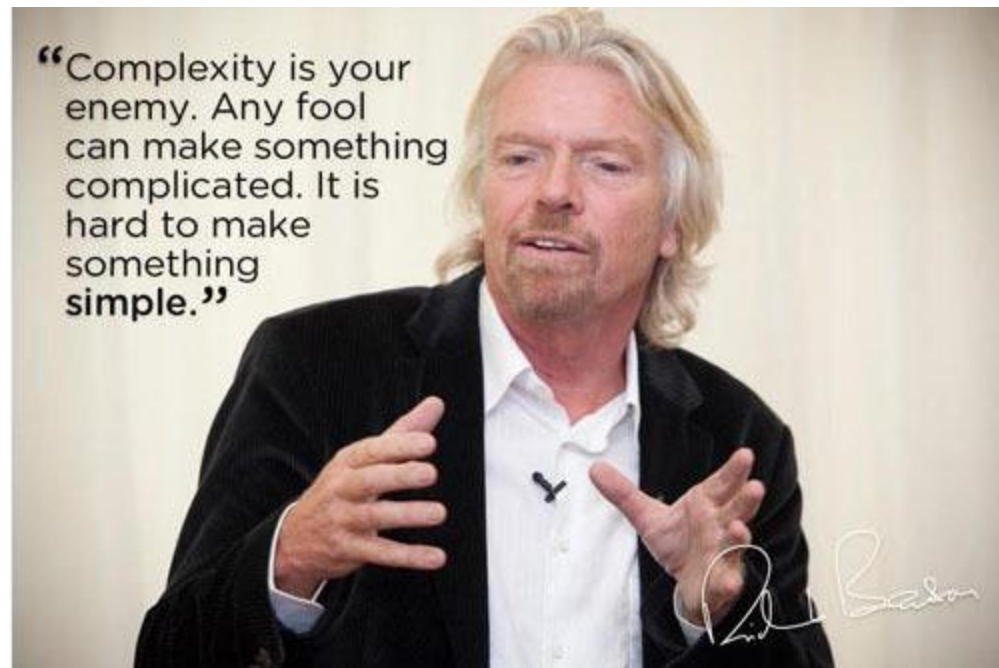


- ▶ We delegate and get input from every department
  - ▶ Very thorough
  - ▶ Want to impress our Boss
  
- ▶ Every RFQ question is detailed including:
  - ▶ Does your system have an aged trial balance?
  - ▶ Does your system have an MRP module?
  - ▶ What kind of hardware is required?





- ▶ Forward your complex RFQ to 20 vendors
- ▶ Vendors wouldn't respond if they were not a reasonable fit ... Would they?
  - ▶ How many of the 20 will respond?
  - ▶ Do you think their responses will be honest?
  - ▶ How will you know?
  - ▶ Not to worry, we will insist they prove they can do it all during the "Sales Demos"

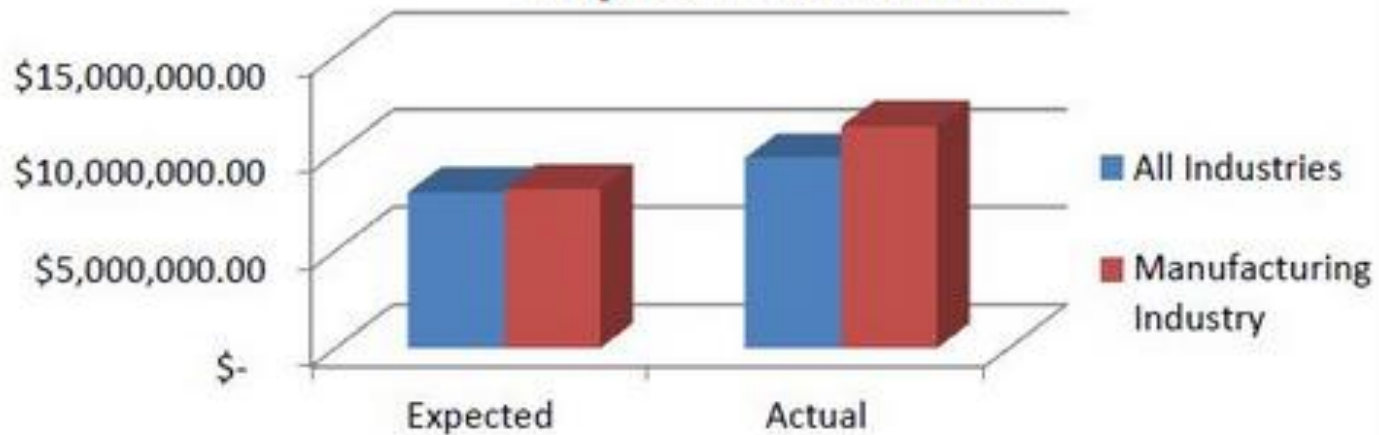


Yet usually RFQs are complex



- ▶ 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?

## Expected v. Actual Cost of ERP Implementations



Source: 2014 Manufacturing ERP Report  
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- ▶ 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

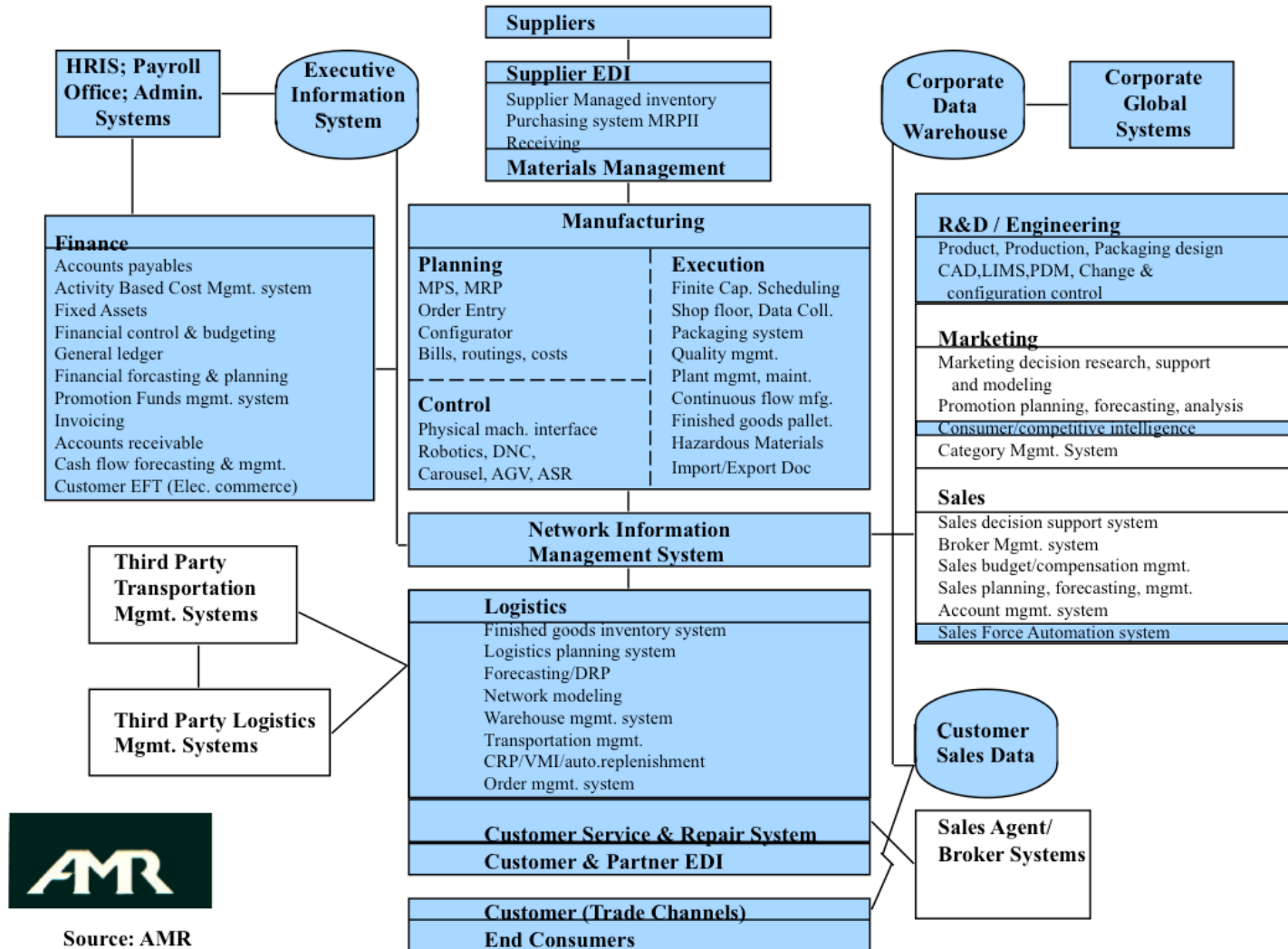
*“My staff is very experienced and will be able to determine which is best for us by reviewing the sales demos”*

Did you know the human brain encounters 400,000,000,000 bits of data every second, yet is only capable of being aware of 2,000 bits per second?

## 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 a 4 hour “sales demo?”

# The Enterprise Model



Source: AMR



## And why do ERP vendors clamor over being the last to demo?

*'There is a principle in human perception, **the contrast principle**, that affects the way we see the difference between two things that are presented one after another. Simply put, if the second item is fairly different from the first, we will tend to see it as more different than it actually is.'*

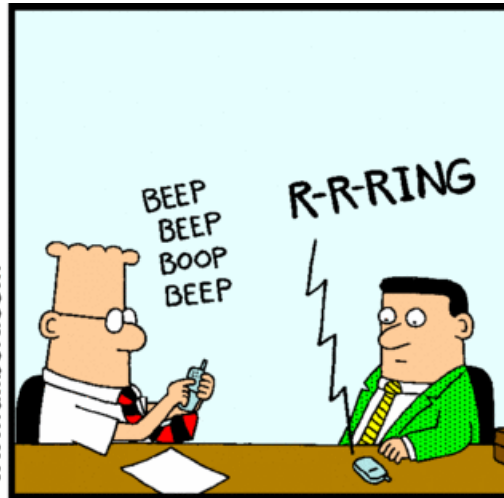


## As a final step ...

- ▶ We will ask the remaining vendors for references
- ▶ Which ones do they give us to speak to?
- ▶ What do we learn by speaking to their best customers?
- ▶ If the statistic says 83.8% of manufacturers do not like their existing ERP systems, why do all the references we contact love theirs????



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# Decision Time



Or is it “leap of faith” time?!?!

- ▶ **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 you use the same selection approach as the 83.8% ...
- ▶ Why do you expect you will have a different result?
- ▶ Isn't that a definition of something else?

# Maybe it's time to try a new approach?



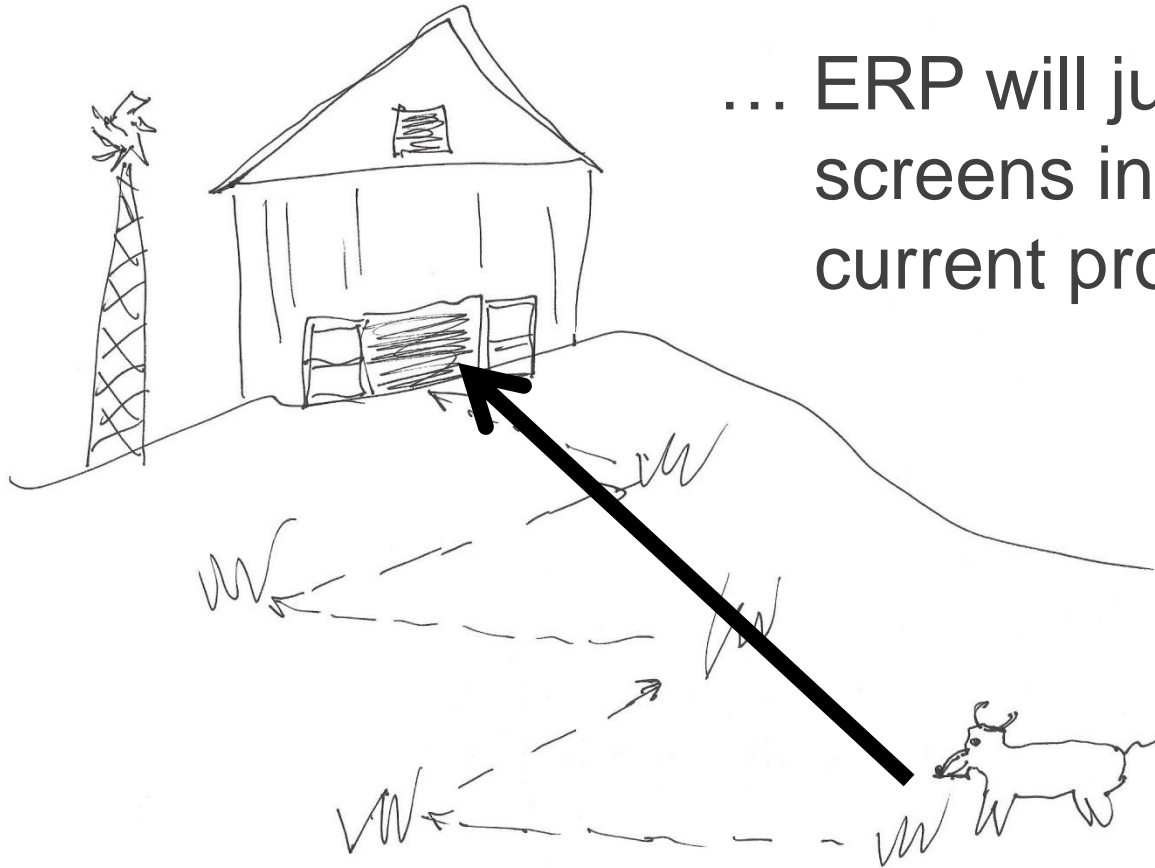
- ▶ There is an alternative
- ▶ This 5 step ERP evaluation process will:
  - ▶ Be easy to follow
  - ▶ Save you time and money
  - ▶ Be 100% successful
  - ▶ Make absolute common-sense



- ▶ What is your Business Case that supports ERP?
- ▶ Do you plan to improve your business performance?  
Then maybe you need Strategic Planning and don't need an ERP system at all?
- ▶ Implementing an ERP is not a walk in the park.  
Make darn sure it is necessary before investing in such a project.

## If you don't Streamline Processes to Improve Business Performance...

... ERP will just be pretty screens in front of your current problems



The Business Improvements resulting from Executing Business Process Re-engineering; Kaizen; SMED; Six Sigma, etc. may result in not needing an ERP at all

- ▶ If you focus on only your unique needs,
- ▶ It is way easier to confirm which ERPs meet your real needs and therefore worth consideration.
- ▶ There are hundreds of ERPs. If this one doesn't meet your critical requirements, why waste another minute with them?

92% trust current Users over any ERP Vendor.

Do you want feedback from only the Vendor's best references, or would you prefer speaking to those representative of your expectations? Did you know you can ask to speak to a specific type of customer?

- ▶ 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 months because they will be fluent (they will know the pros and cons)

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

Systems in the same target market, commonally require the same amount of effort to implement.

- ▶ Then why do some vendors charge less than others?

There is a fixed set of tasks that are required to be completed, regardless of which ERP you choose. The more tasks you take responsibility for, the less it will cost and vice versa.

**You** decide how much help you need and how much you will spend on your implementation.

If you're still not confident, schedule software presentations.

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

- ① Justify if you need ERP at all. Stress Process Improvements
- ② When discussing functionality, focus on your unique/critical requirements
- ③ Instead of entertaining “Sales Demos”, visit companies that have used the same version for 12+ mos. (in the same geography, same industry and same size as you)
- ④ Price of the software is certain. Implementation costs are directly proportional to the amount of effort you participate.
- ⑤ If you entertain sales demos, bring in trainers, not professional presenters. Presenters have no skin in the game after you buy.

5 simple steps

The perfect combination





For more information, and/or a copy of the book, “How to select ERP without losing your mind (or your job)” please email to:

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