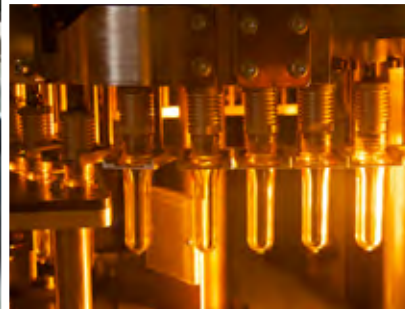
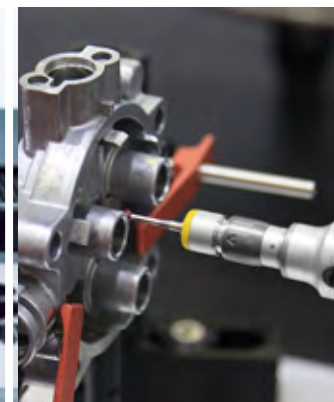
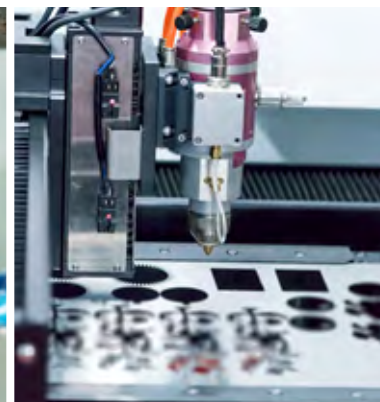




Do Your Due Diligence When Selecting a New ERP Vendor



IQMS
Manufacturing ERP



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Recently, your company made the important decision to invest time and money in a new manufacturing ERP system to increase competitiveness and operational efficiency. You've been selected to research potential new ERP vendors and whether it is a top priority or something you have to work into your other job responsibilities, due diligence is required to find the best fit in ERP vendors. The success of this new company-wide initiative depends on it.

So let's get into the mood. Think of yourself as private investigator, Dick Tracy, with the bright yellow jacket and wide brim fedora. Or if you are part of a team of investigators, maybe you can be Frank or Joe Hardy teaming up with Nancy Drew. The choice is yours. Feel free to speak in an old-timey private eye voice if it helps you get in the spirit (Don't worry, we won't tell anyone).

So what does it mean to do your due diligence? What level of investigation does due diligence entail? Below is a necessary list of clues that should be examined when researching potential new ERP vendors. Search out the answers and you will solve the mystery of finding a life-long ERP partner.

No. 1: Search for Lawsuits

Open up your web browser of choice and do a quick search for lawsuits your potential ERP vendor may be embroiled in. For example, type into Google, “XXXXXX lawsuits,” where XXXXXX is the ERP vendor’s name. Is the ERP vendor being sued? Why are they being sued? Is there a pattern to the lawsuits, such as multiple cases regarding botched implementations that go over time and over budget, resulting in a detrimental loss of sales for the new ERP customer? How often does the ERP vendor get accused of over promising and under delivering? One lawsuit could be an outlier, but an extensive history of non-performance always has a ring of truth to it.

Alternately, is the ERP vendor suing anyone? If they are suing clients that have not paid, is it because their clients are unhappy and refusing to pay for something that wasn’t delivered or doesn’t work as planned?

No. 2: Investigate References

Questioning suspects and interviewing witnesses is one of the sleuth’s most powerful investigation devices. Those same tools can be applied here. You will most likely receive a short list of references from your prospective ERP vendors that match your manufacturing processes. When interviewing them over the phone (or conducting a site visit, if possible), be sure find out the version of the software they are using, as well as the type. Some large ERP vendors offer multiple software systems and you may be referred to a customer that is not using the system you will be purchasing.

In addition to the ERP provided references, be sure to not overlook impartial reference sources. A few websites, such as Capterra and the Technology Evaluation Center (TEC), offer third-party, unbiased software reviews, either submitted by software users or a panel of experts. And while consultants may have good advice, take it with a grain of salt. Many consultants imply that they are neutral, but on the side are participating in “pay to play,” a process that involves ERP vendors sponsoring consultants in exchange for a recommendation.

Additionally, be sure to check with organizations that you belong to, such as SIIA, APICS, MAPP, etc. These organizations are specific to your organization and their purpose is to help you succeed, so they should recommend ERP vendors that work well for other manufacturers in the industry or suggest more references.

No. 3: Assess Transparency

Why does it seem like all of the important information you need to make an informed decision about a new ERP vendor is secured away, hidden behind passwords on client-only pages? Why does it feel like you are on a need-to-know basis with your prospective ERP partner?

Most ERP vendors consider an annual investors report to be a display of openness. But with more transparency comes more accountability. Search out the ERP vendors that give prospective clients access to critical information such as approved software enhancement requests and customer discussion forums upfront.

If you can immediately see what developments are being made as a prospect, then you know the ERP vendor has a company culture of transparency and openness with its clients. The accountable, transparent ERP vendor may be a rare breed, but they do exist and are worth pursuing.

No. 4: Examine Software Updates

As the manufacturing industry continually evolves, so should your ERP software to help you maintain competitiveness. Keeping current with the latest technology and gaining new features that are useful and relevant to your business is essential. When checking references, be sure to ask about upgrades. Are they free with your annual maintenance fees, or does it cost more to get the newest version of the software? Can you upgrade on your schedule for proper validation and testing, or are updates made automatically whenever the ERP vendor feels like it?

Ask about the frequency and usefulness of the updates. How often do customers receive upgrades and service packs and are the upgrades chocked full of new features and changes, or are they sparse and mostly bug fixes? Does it feel like the software is truly evolving or does it feel like the ERP vendor is treading water to preserve your maintenance fees?

Finally, examine the development process. Does the ERP vendor have an open door policy for software enhancement requests? Is your voice being heard and your feedback encouraged on ongoing development to make sure you receive the changes you need?

No. 5: Verify Vendor Stability and Longevity

Vendor stability and longevity could be one of the most important clues you investigate when performing your ERP sleuth responsibilities. Be sure to ask questions such as: Does the ERP vendor carry a lot of debt? A stable ERP vendor only grows as large as they can afford. Additionally, is the ERP vendor constantly seeking out venture capital? Even the worst sleuth can see that it isn't really in your best interest when your ERP vendor's main focus is to position the company to earn more investment funds, rather than working for you. If the ERP vendor is desperate, they may actually try to "buy" your business by almost giving the software away. Beware, sometime "free" is too expensive when your company relies on the system to be successful.

How about acquisitions? Has your prospective ERP vendor been rapidly acquiring small ERP companies to fold into their mix? Frequently when this occurs, you end up with a bolted together ERP system that was not designed from the very beginning to interface together. This ERP system is very cobbled and it will feel that way.

Or is the prospective ERP vendor positioning themselves to be acquired, hoping to pass the software along to a larger conglomerate? When this occurs, most often the customers suffer the most as their support net falls away and they become just another number to the larger ERP vendor. Updates become slow or non-existent and often customers are forced to change to a new program as their software is folded into the larger whole.

No. 6: Inspect for Bait and Switch

Recently, more and more new ERP customers are finding themselves victims of bait and switch and saddled with a system that does not perform as promised (See No. 1: Search for Lawsuits). Manufacturers are forced to severely change their business processes or sink a lot of money into customization.

How does this happen? Most often, the new ERP customer gets inadvertently taken advantage of by the ERP vendor's sales team. Only interested in closing sales and moving on, some sales reps will say, "Yes, we can do that," to any problem you need solved, without properly examining your business processes.

ERP shopping should be a discovery process between you and the ERP vendor. A good ERP vendor will sit you down with one of their technical sales specialists and take the time to understand your business and your needs. Playing more of a consultant role, the ERP vendor will not redirect you with showy demos, grand promises and big discounts, but instead try to determine if they are truly the best fit for you. A good ERP vendor is looking for a long-term relationship that benefits both sides, not a one-stop sale.

Unfortunately, many of the perils above exist in ERP vendors. Lawsuits, bait and switch sales processes, infrequent software updates and rapid growth for future acquisition are all problems that can really hurt your future ERP selection. If you do your research, you can avoid these common pitfalls and end up with an ERP vendor for life. You are ready! Using this list of tools and your powers of deduction, you will not fail. So grab your magnifying glass and get sleuthing. The truth is out there, it is just a little less obvious for those who don't want to dig for it.

About IQMS

Since 1989, IQMS has been designing and developing ERP software for the repetitive, process and discrete manufacturing industries. Today, IQMS provides a comprehensive real-time MES and manufacturing ERP software solution to the automotive, medical, packing, consumer goods and other manufacturing markets. The innovative, single-database enterprise software solution, EnterpriseIQ, offers a scalable system designed to adeptly grow with the client and complete business functionality, including accounting, quality control, supply chain, CRM and eBusiness. With offices across North America, Europe and Asia, IQMS serves manufacturers around the world.

If you would like to learn more about IQMS' comprehensive ERP solution, please visit www.iqms.com.

