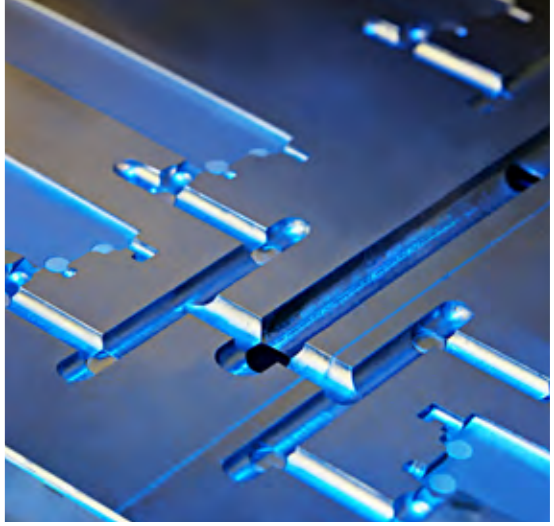

How Successful ERP Selections Are Made

IQMS
Manufacturing ERP

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For manufacturers looking to add, upgrade or replace Enterprise Resource Planning (ERP) software, one of the most apparent concerns is what the system can do. For example, can the system handle the company's scheduling needs; does it offer production monitoring and quality control; and can it streamline communication? While these are important considerations, what an ERP system can and cannot do is only one aspect of the many critical components that should be considered when making an ERP purchase. In fact, when comparing ERP systems, functionality should be considered against the backdrop of the entire package – its technology and its vendor. Only by doing so can manufacturers ensure they make a right and lasting choice. Following are some of the top things to look for and look beyond when evaluating a new ERP system.

Platform

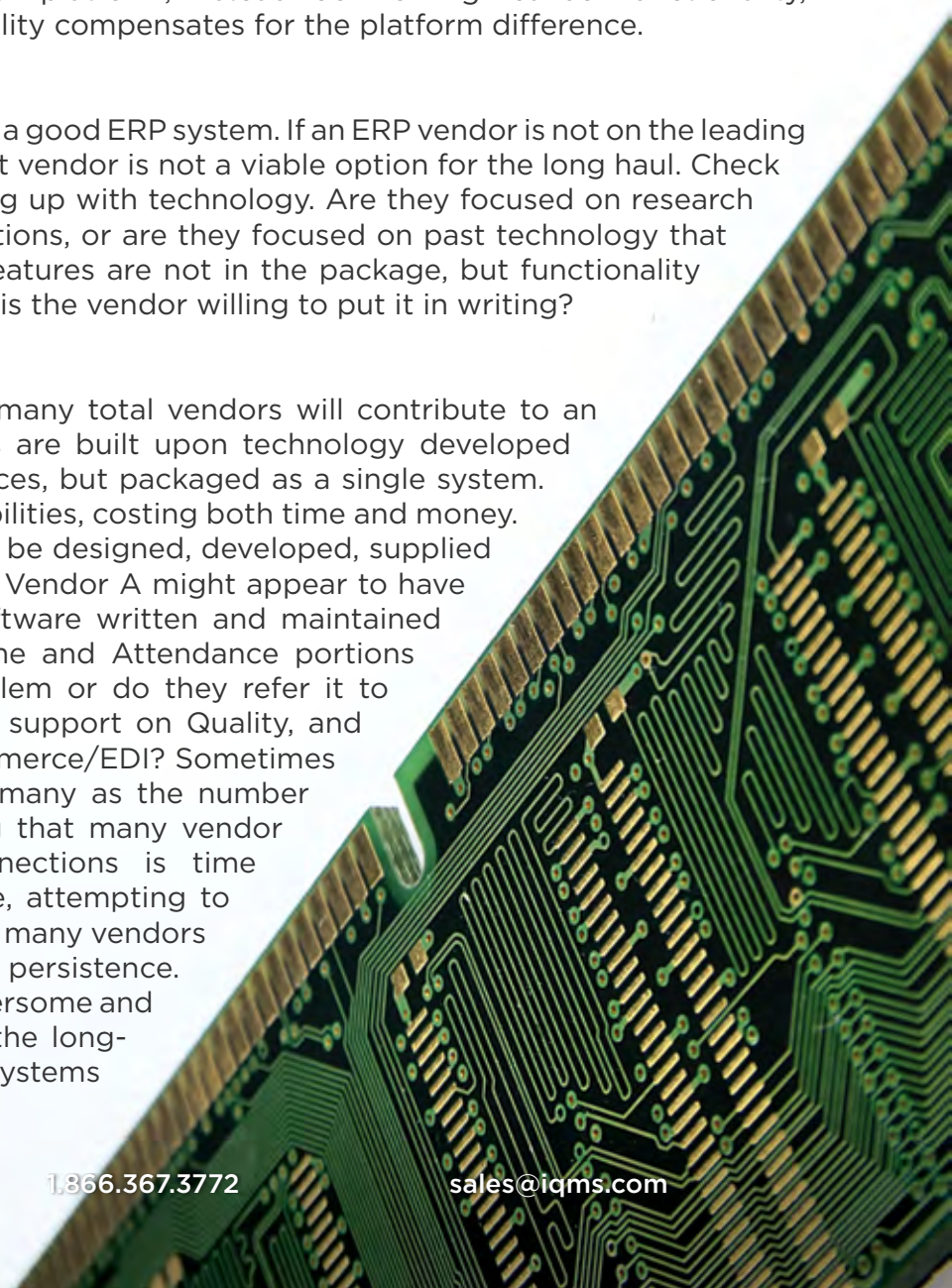
While platform (e.g., .NET, SQL, hosted, etc.) is important, an ERP system should not be selected based on platform alone. Doing so may distract from the real value an ERP system can provide. For example, a Web-based solution may be a "must have" in theory, but choosing a new ERP system based on a pre-conceived idea that only one platform will fit the selection criteria may eliminate viable options even before they are considered. So don't eliminate potential software vendors based on platform; instead look for high-caliber functionality, then consider whether the functionality compensates for the platform difference.

Technology

As technology evolves, so too should a good ERP system. If an ERP vendor is not on the leading edge of technology, chances are that vendor is not a viable option for the long haul. Check to see how an ERP vendor is keeping up with technology. Are they focused on research and development for future applications, or are they focused on past technology that will soon be out dated? If certain features are not in the package, but functionality specific to those features is offered, is the vendor willing to put it in writing?

How Many Vendors Are Included?

It is important to understand how many total vendors will contribute to an ERP package. Some ERP packages are built upon technology developed by and acquired from multiple sources, but packaged as a single system. This often causes system incompatibilities, costing both time and money. Ideally, all software components will be designed, developed, supplied and supported by the same vendor. Vendor A might appear to have the best solution, but is *all* the software written and maintained by Vendor A? If the Payroll or Time and Attendance portions fail, does Vendor A solve the problem or do they refer it to Vendor B? Does Vendor C provide support on Quality, and Vendor D provide support on eCommerce/EDI? Sometimes the number of vendors can be as many as the number of system components. Maintaining that many vendor relationships, databases and connections is time consuming and costly. What's more, attempting to obtain a resolution in the midst of so many vendors is often the absolute definition of persistence. Sustaining multiple vendors is cumbersome and should be a factor in determining the long-term affects on an Information Systems department.



Product Demonstration
Product demonstrations are often a good way to see an ERP solution first hand. Knowing what to look for during a product demonstration provides the clearest picture. Remember, too, that the ERP system is not the only thing on display during a demonstration, the vendor is as well. Consider whether questions are answered clearly and concisely. Be persistent when gathering desired information, such as: who writes, develops and supports each system component; are modules interoperable, easy-to-manage and cost effective; what functionality is included; and how might the system best support specific objectives? Remember it is a sales person's job to make the software look easy, but they should know the system inside and out. Take charge of the demonstration and try the product. Don't be afraid to enter a specific Bill of Material or other data to see how the system reacts. Although sales demonstrations are valuable, often the most valuable tool is personal experience, so test drive the system.

The Always Useful Buzz Words
With all the hype on Service Oriented Architecture (SOA), Best of Breed, Lean Manufacturing and so many other catch phrases floating around the industry today, ERP selection can seem overwhelming. Instead of focusing on the buzz words, focus on who is making the buzz. For example, is SOA really best or is it just a nice package that SOA vendors are using to sell how they do business today? Will the SOA buzz diminish when these vendors' product offerings change?

Implementation Time
Time is money. When provided with an estimate for the number of days to complete an implementation, ask how the vendor arrived at the number. The vendor may have a proven plan of how to implement in less time that does not match what their competition is offering. Implementation times will vary from package to package, but don't take for granted the number of days noted by the salesperson. Question the vendor representative and get feedback. For example, when contacting a reference customer ask whether the vendor met their implementation schedule. If they did not, how much longer did it take to complete the implementation and why did it take longer than expected? Purchasing ERP is not just about the software received, it's about follow through that brings that software live, and maintains it once installed.

Customer Referrals

While existing customer referrals are beneficial, remember several things. First, customers are on the referral list for a reason. Second, vendors don't typically give out the names of problem customers. And third, vendors will most likely provide only the number of references requested, so if two are requested only two will be provided. Try asking for ten or more. Then check the vendor and customers' Web sites for case studies, quotes, customers in the news, etc. Look up customers on the internet and call them directly. Be specific with the vendor about whom you prefer to contact. For example, ask for customer referrals from companies that previously used the same system currently used by your firm, or ask for referrals from companies that are similar in size or in the same product industry as your own. The vendor may not have an exact match, but a software vendor that can offer a variety of customer referrals is more likely to have many happier customers than one who cannot.

Customer Retention

It is one thing to have a short list of current, happy customers. It is something else entirely to maintain the customer relationship for years to come. Ask the ERP vendor what their customer retention rate is. Do a majority of their customers continue on with them for years, even decades? With the buyouts and recession of past years, no ERP vendor can claim 100 percent retention, but anything less than 80 percent should raise a flag to ask a question. Selecting a new ERP system is a major undertaking, one that, if done correctly, should last for many years.

Objectively Observe

Understand your true market and your position in that market. While it is always good to think where you want to be in five or more years, also think about where you are now. It is nice to consider being a billion dollar company, but reality may closer to $25 to $100 million. Buy a package that focuses on your current market position, but can carry you to your next goal and beyond. An over-the-counter ERP system bought at the local office supply store will not see a company through to its multi-million dollar goal – not in manufacturing. On the opposite end of the spectrum, the software solutions used by the Nike® and Reeboks® of the world may be too big and expensive. An ideal package is one that can be purchased today, with only the components that are needed, but expand with a business as it grows.

Consultant Catch

The utilization of consultants in the ERP selection process can be useful and informative. However, beware of the consultant who has affiliations with a specific ERP system. Hiring a consultant should be paying for an unbiased opinion of which software truly is the best match for your company and not a test for them to see how they can sell you their ERP system. Too many implementations fail because a consultant paraded around a seemingly varied group of ERP vendors but, in the end, recommended the one to which they have ties. Ask your consultant before hand how many varied software packages they have recommended and talk to previous clients to see if a majority purchased only one—that is a red flag.

ERP selection is not just about wants and want-nots from the various people in an organization. It is about getting what you need for now and the future. It should be a long-lasting purchase that provides you with the feeling of a partnership. You are not just buying software, you are also buying into a vendor and their company culture. The combination of software capability and vendor credibility should be a major purchasing factor.

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.