Selecting ERP

Top-Ten Land Mines to Selecting and Purchasing ERP

The following ten items are typical obstacles to effectively selecting and purchasing ERP. Many of these items will have further negative effects during and after the implementation. A few comments, in the list below, counter conventional thinking, so feel free to call us to discuss further. All of these points can be easily defended based on the experience of over 1900 ERP selection projects.

1   **Operations does not own the ERP project**
ERP projects are about improving efficiency of business processes and competitiveness. For reasons too many to list, operations must own the project to more rapidly and fully reach top success. These are not IT-centric projects.

2   **Modern ERP is not understood**
There are incredible productivity options held in ERP that have modern configuration tools, workflow engines, business intelligence mechanisms, and are built in go-forward development tools. If these capabilities are not understood, they will not be properly visible in selection and/or implementation planning. The result will be ERP implemented well short of its potential. (Note that about 90% of ERP still offered today is not modernized.)

3   **Long list is influenced by inaccurate and biased input**
Simply stated—a vast majority of advice, which drives long lists, is not good. Advisors usually are subject to incomplete and/or biased information. Web-based lists are almost always materially inaccurate and many sell names to software vendors. If a long list is not known to be concretely defensible, then this introduces uncertainty that will compound throughout the ERP project.

4   **Inaccurate understanding of business processes ERP should support**
The business processes that ERP should support (ERP process footprint) are largely dependent on the selecting company's size, industry, and/or process complexity. And to a lesser degree, the breadth of functional options from the long list ERP vendors. If the ERP process footprint is not effectively established, various levels of error are introduced into the selection process and can result in wrong modules or components being purchased, and even the wrong ERP being chosen.

5   **Using the wrong selection criteria to reduce the long list**
The correct selection factors should largely be important (and non-routine) functional objectives and overarching objectives (e.g. strength of workflow engine, configurability options, etc.). Using long lists of functional requirements is actually counterproductive (see our whitepaper on this topic). ERP license cost and implementation approach are not typically influential (explained in #7 and #10 below).

6   **ERP project team not well coordinated**
ERP software projects are very complex and in turn have many areas which can be negatively impacted. These projects need good internal leadership who understands enterprise software and has the capacity to lead all participants (including implementers). Also key is properly prepared representation from process areas affected by the project.

7 **Paying too much for ERP licenses**
Routinely companies pay about <u>double</u> what they should in all license related costs over the first five years. There are ways to have all competitive ERP vendors significantly meet the same buyer-centric target license cost and terms—regardless of what the sales people say is possible. As mentioned in #5, this is why ERP license cost is not typically a differentiating factor to establish a short list.

8 **ERP contract terms are one sided and accepted by buyers**
Contracts provided by sellers of complex products and services contain almost nothing that seeks to support the buyer's legitimate interest in the business relationship. This unilateral control is routinely abused by this industry. Contracts should be fixed to properly support buyer's interests.

9 **Not leveraging selection work to improve readiness to implement**
Selection projects should include an investigation of current business process weaknesses and improvement ideas. This work should be further organized and developed—and it can form the critical background work that supports early implementation decisions. DO NOT DEPEND ON IMPLEMENTERS TO DO THIS WORK (see our whitepaper on buyer's controlling the implementation).

10 **Implementation services overly influential in selection decision**
Statements from candidate implementers on service cost and their 'market leading' methods are largely irrelevant in ERP selection decisions. Implementers do not have any serious idea of costs for a particular prospect and methods among top-line implementers of similar ERP are overall equal. What is relevant is the talent of the specific people proposed for your project, hourly costs of all implementer personnel, and proper contractual relationship control. For well-established ERP packages (which the short list should be comprised of) there are multiple options to find talented people, arrange reasonable rates, and fix contracts. Therefore, and as mentioned #5, this is why implementation services are usually not a large differentiating factor in ERP selection.

What is a 'highly successful ERP project'?

We define it as a project in which a good selection was made and a buyer centric purchase arrangement was achieved. Further, future-state business processes are well designed and ERP was efficiently implemented emphasizing:
• Enterprise-wide collaboration between business process areas
• Modern workflow and process exception mechanisms
• Collaboration with customers, suppliers, remote sales, etc.
• Best practices overall and standard practices in the ERP
• Modern business intelligence options

The result is large cost savings in day-to-day operations and less stress on the company team. An even larger value is in an overall more competitive and agile company. When operational leadership understands what a highly successful ERP project looks like, and its value—they often take strong action to better support and protect the project.

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