

The One Sure Way to Lower the Cost of Your ERP System

This article is excerpted from the PSSSI Blog. It illustrates by client example the importance of starting an ERP project with a **Business Process Analysis** to ensure that proper expectations are established and met, and to reduce the risk that you'll suffer the same fate as this local manufacturing company...

Our client's story highlights the fundamental principle that there is one sure way to lower the overall cost of implementing your business management system. It's a simple answer, and its proven value – as well as the costly results when it's *not* done – highlights the importance of the Business Process Analysis. We'll keep it simple but we hope enlightening, with our story below.

Last year, we were called into a manufacturer of wood cabinetry to the mobile home and RV industry. They were implementing a well-known ERP solution from Microsoft (a product we sell). They'd purchased it from another reseller and to put it mildly, things were not going well: The original project including software and implementation services was scoped to a cost (excluding hardware) of \$125,000. By the time we were called in, projects costs had soared to \$200,000, and were rapidly climbing. And the company was nowhere near "live."

We'd first approached this same company a year earlier, and they'd passed on our proposal for a modest, fixed-price Business Process Analysis. We explained that the BPA is the *critical* first step in any major software implementation. We also explained that our version was no piece of fluff. Rather, it would be an in-depth analysis of workflows and suggested solutions, performed by highly experienced senior staff. And while the effort might run 100 to 200 hours on our part, it was *not* priced that way. Indeed, the price was quite modest. But it wasn't free either.

The client told us they "didn't think they should pay for an analysis." As we later learned, another reseller offered to do the analysis "for free." After that, they were told, any further analysis could simply be done as the project progressed. We later saw the analysis report and, no surprise, it was a 4 page simple review of what the client does, and how software could solve their problems. That was the extent of the "analysis" that preceded their project, and as a result of lacking any real understanding, now they were nearly double the budget, and promised time frame.

So during a very frank conversation, we reminded the owner why we needed to do a Business Process Analysis. It boils down to our simple mantra: We cannot quote what we do not know. We explained the process, the people, the expected outcome, the detailed process

review and summary report we would present to them, and the cost and time frame.

We carefully explained that doing the BPA was not going to change a quarter million dollar project into a one hundred thousand dollar one (though our experience has shown that it *will* reduce the overall cost of the project by more than the BPA's cost). Our point was even simpler than that. "It's not that your project isn't a quarter million dollar project – in fact, it probably is," we explained. "But... wouldn't you like to have known that *at the outset*?" Bingo.

The fact is, by *knowing the cost upfront*, an owner can make a rational decision. Knowing at least roughly the cost going in, you can decide whether now is the right time to proceed. After all, it's

not that you don't need good systems to grow – and this client was growing rapidly, thus putting a strain on all his cash resources -- of course you need good systems. But by knowing the true cost upfront, you can **plan and budget accordingly**.

So this time around, the client agreed to accept our earlier offer to provide a *real* analysis. When they finally fired their previous reseller, they were a quarter million dollars into their \$125,000 project – a cost *overrun* that was *ten times* the cost of the analysis. They were now 20 months into their nine month project – and still not "live."

Think about it: The type of analysis required to design an ERP implementation *has to be done* somewhere along the way. You can't prescribe a solution without knowing the problem. But doesn't it make more sense to do the analysis *first*, before you make any further decisions? Our client would have been well served by doing so. By planning on the fly as they did, they ran into countless modifications and change orders (which were also consistently under-quoted) that ultimately *doubled* the expected cost of their system (and remember, they still weren't "live.")

By separating the BPA from the rest of the work, you can make two decisions: the first is whether to proceed with the actual ERP implementation. The second is to determine whether the consulting team you've chosen to work with appears up to the task. And you can

make *both* those decisions by making a commitment to a project that usually costs only about \$10,000 to \$12,000.

Unfortunately, a lot of salespeople in the industry continue to tell customers what they want to hear. Customers don't know. Technology confuses or scares them. They want to trust and believe their providers. As such, it is incumbent upon those who provide the products and services to give clients an honest upfront assessment of the scope of their project in both time and money. After all, you can't make a \$250,000 project into a \$100,000 project and expect the same results.

But you *can* plan, phase and budget accordingly. You *can* create a win-win scenario. And you *can* ensure that both provider and customer sleep well at night. Not *every* night mind you – implementing a new system is always tough and fraught with problems and issues. But done right, eventually, everyone can walk away satisfied.

The lesson of our story is simple. The BPA is the only place to start. Done right, it requires experienced consultants doing detailed work who can understand the *business* side of your enterprise, study your workflows, and make appropriate recommendations. Few can do it, and as to those who offer it for "free" – well, if the price sounds too good to be true... it probably is. It doesn't have to cost an arm and a

leg, but it is by definition a paid engagement that **sets the groundwork and provides the roadmap** for the real ERP implementation work to follow.

The BPA provides your roadmap, and often, choices too. It will tell you whether your project will cost \$100,000, \$1 million, or (likely) somewhere in between. It will tell you, at least roughly, how long to expect an implementation to

take, what phases you can break it into, and what the costs of those phases are estimated to be. And it will tell you all of that before you make a commitment to a project that you weren't really prepared to make after all. In the last analysis, it's the only way to go. And the best way we've found in 25 years to lower the overall cost of your ERP project.

When they finally fired their previous reseller, they were a quarter million dollars into their \$125,000 project – a cost overrun ten times the cost of the analysis.

By separating the BPA from the rest of the work, you can make two critical decisions...

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