

50 Shades of ERP

How to Achieve Ultimate ERP System
Satisfaction with a New Partner

E R Paynes



50 Shades of ERP - How to Achieve Ultimate ERP System Satisfaction with a New Partner

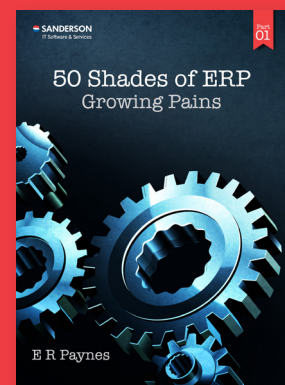
Introduction

This guide is the concluding instalment of a three-part series which helps small and medium-sized manufacturers like you, who are reviewing the effectiveness of their existing IT systems.

In Part One we revealed how to spot the 7 Signs of ERP Stress and systems failure, caused as businesses undergo change (because no business sits still). Download it now if you missed it:

50 Shades of ERP - Growing Pains.

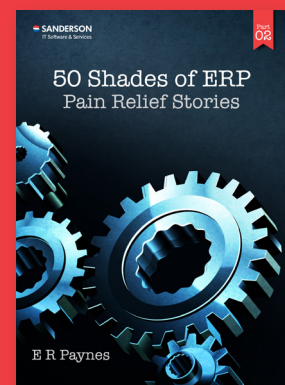
[Download Now ▶](#)



In Part Two we explored how manufacturers saved tens of thousands of pounds by recognising the need for processes to change, embracing the challenges of implementing a new ERP solution to achieve that - and how they benefited. Click here to read:

50 Shades of ERP - Pain Relief Stories.

[Download Now ▶](#)



Here in Part Three, you will read a step-by-step guide how to:

- › Start an ERP project.
- › Compile an 'ERP requirements' document.
- › Find and compare multiple ERP solutions.
- › Avoid costly mistakes.

At the end, you can download [THREE FREE TOOLS](#) to get your own project moving – without the expense of IT consultants.

Identifying the Project Phases

There are five clear steps within an ERP system selection project. Let's explore them.



01. Problem Acknowledgement

During this phase, either staff or management or both start to acknowledge that the current system is starting to struggle and failing to meet current requirements. But the pain and inconvenience is insufficient to make wholesale changes. However, the reality is that if your business is changing, matters are most likely only going to get worse. Don't ignore the problems and symptoms. Start to document them (as per our suggestions in [Part One](#) of this guide). Equally, start to attach a cost or value to each problem. This helps with the cost justification.



02. Solution Research

The internet has without doubt made research into possible solutions easier than ever. The sooner you start, the better. You gain more options. You gain greater insight into the competencies of current ERP solutions. You can contrast cloud offerings versus on premise, generic solutions versus industry specific solutions, top versus middle and bottom range of solutions.

You should most certainly gain some thought-provoking ideas about how modern ERP solutions could beneficially impact your business. Look for suitability too: does a supplier's website discuss your industry specifically and use your terminology - or just offer vague brand declarations about 'empowering you' etc? Of course when you come to speak with the supplier you can - and should - quiz them about experience and references in your industry. If you know some of their customers, why not make contact? Equally, if you have a friendly relationship with competitor companies, seek their opinion and input about their ERP solution. It's a great way to gain insight about the supplier competencies.



03. Evaluation List

Make a list of companies with whom you wish to discuss requirements once your project starts proper.

Research them for financial viability. There are plenty of credit reference tools and you can download company accounts. Remember you are expecting to have a very long-term relationship with your nominated supplier. This early due diligence always pays dividends.

There is absolutely nothing to be lost from ringing those organisations on your evaluation list and garnering indicative costs for software and implementation. Most should acknowledge that you are only researching the project and will respond accordingly. The days of an overt and aggressive sales pitch on first contact are long gone. Why not issue a Request for Information (RFI)?



04. Prepare your Requirements List . . .

We at Sanderson recommend that you prepare a requirements list well in advance of going to meet prospective suppliers (for a template, see the free tools for download at the end of this guide). Make it an approved document with version control. It is usually known as a Statement of Requirements (SOR) or a Statement of User Requirements (SOUR).

Invariably, during demonstration you will see software capabilities that you had not even considered and other features that you simply must have. These can be incorporated into later version of your SOR. It will most definitely change over time.

. . . even better, prepare your ERP Vision Guide

Why not consider this document as an ERP Business Objectives guide or an ERP Process Vision Guide? Rather than focusing just on 'what we want now', this new title opens it up to reflect 'how matters should be' in the future. Looking forward in line with your business plan is a simple mechanism for future-proofing your investment. The forward-looking vision approach also actually makes the project team think harder about current physical processes and procedures and whether they add value. Many manufacturing organisations have invested heavily into 'Lean manufacturing' techniques for their shop floor. Why not apply exactly the same thinking to your administration processes?

Whatever you name your requirements checklist, this will be the controlled document that you use to measure the capabilities of potential new systems and suppliers against. It needs to feature:

- Company description and operation.
- Products, marketplace, structure (if relevant).
- Objectives for the new system.
- Absolute key essentials.
- Details of perceived unusual requirements.
- Complex pricing rules, configured products, retro discounts.
- Interfaces to other systems.
- Vision for process improvements.
- Vision for reporting improvements.
- Industry compliance requirements.
- Material Certification, CFR Pt. II, FAIRS, FSC.
- Decision-making criteria.
- Timetable: responses, reserved demonstration dates, shortlist dates.

Just like you, any potential ERP supplier will invest a significant amount of time and cost during this project. As you perform due diligence, so will they. The more specific the information you can provide the better the chances of finding early matches, and for those without relevant solutions to withdraw.

If your particular industry has compliance requirements and is regulated, the less likely a generic package will suit. You may be willing to consider an industry-focused 'bolt on' with a generic package, but these nearly always tend to pose upgrade challenges over the medium- and long-term as most are third party products - so can introduce costs and issues around ownership of maintenance and ongoing compatibility.



05. Project Approval

Always ensure that the project is agreed to and signed off at the highest level in your organisation before commencing in earnest. We at Sanderson have experienced multiple projects which were initiated at mid management level, only to be cancelled at board or corporate level because of other strategic initiatives. This created frustration and wasted time and cost for all parties. Now you have a defined need, indicative costs and agreement to invest. You have an Evaluation List and an SOR/ ERP Vision Guide. You have identified a potential timetable. It is time to create your Project Selection Team.

Your Project Selection Team: Things To Consider

How to spot the three types of people in an ERP project

In all companies there are people who want change, people who are content, and people who resist. This is not a criticism. If everybody was pushing for change, you get chaos. If everybody resisted, there would be no innovation. It is in reality quite healthy to have a mixture of all three. In fact, when creating a project selection team we suggest you blend all three personalities within the team:



The Changer

The changer will bring new thinking, seek opportunities for improvement and frequently brings ideas and experiences from other employments into the fold.

02

The Contented

The Contented will generally ensure that key requirements are not missed, overall processes are maintained and nothing rocks the boat to the point of disruption.

03

The Resistor

The Resistor is quite often somebody who has been in your business a long time, working at a detailed level. They will counterbalance the enthusiasm of the 'changers' and treble check that any new system can handle those 'complex parts' of your business. This person is essential to the project team.

04

Your Project Leader

Every project needs a leader. Whoever leads your project team is going to be distracted from their daily routines over the coming months. There is going to be a lot of interaction with the team and potential suppliers, along with diary planning and coordination, assessing responses to ERP Vision Guides, comparing and analysing budget proposals. They will need some slack from their daily workload.

Supplier Engagement



Things to consider when contacting suppliers

Once your SOR/ERP Vision Guide has been signed off, it should be issued at the earliest opportunity to suppliers under consideration, with a 'respond by' date. Be prepared for your plans to change. Suppliers will ask for delays due to existing customer commitments, workloads, and clarification about certain requirements. They will also make requests to visit to further discuss objectives etc, so in your SOR/ERP Vision Guide enclose a precise point of contact, usually the project team leader.

Treat this phase of interaction not as an irritant, rather one to glean the culture and awareness of the suppliers about your business. If they are asking: 'What is a material cert?' or 'What is a qualified person?' then clearly they may have little comprehension of your particular industry and are less likely to have a solution. Apply your requirements criteria rigorously to your responses to whittle down the number of potential suppliers - ideally aim for four to six.

The next stage of the project - demonstrations - are going to be very time-consuming for your staff. The more demonstrations you have, the more time consumed. You also want your selection programme to be focused and detailed.



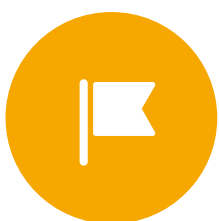
An exercise in discovery

Your nominated contenders will invariably wish to conduct a 'discovery' or 'analysis' exercise before performing any demonstration. This is a true honing of ERP abilities against your needs. Be prepared for this to take up a minimum half day to a full day. Your potential supplier will ask to meet the key departmental managers and operators and should generally issue you with a 'discovery agenda' so that both parties know what to expect from the visit. If they don't, create your own ([see our free tools for download at the end of the guide](#)).

From this day you can make sure that the ensuing demonstration is clearly focused against the topics you wish to be demonstrated. It is also a great opportunity to discuss and digest alternatives to your requirements. Many suppliers will make suggestions based around best practices deployed elsewhere or novel ways that you had not considered. Keep an open mind. Again watch for the culture and industry comprehension. Most will ask for data samples to include within the presentation. This is so that you see a snapshot of your company reflected in the system under consideration.

As with the previous phase, potential suppliers may withdraw even at this stage, as complex requirements previously not identified are raised. Be prepared for it. They are being honest and frank with you, not wishing to waste either your or their time further. Respect them for it.

Demonstrations



Preparation is paramount on both sides for it to work

The rewards from the demonstration are in direct proportion to the amount of time and effort consumed by both parties. The more guidance you provide to the contenders, the more focused and accurate the demonstration will be. The more questions and checking by the supplier, again the more accurate it will be.

Make sure any demonstration begins with an opening session for everyone to attend, which covers general features and topics common to everybody: reporting, usability, navigation etc. Everyone will get a feel for the usability of the system. Then follow a timed agenda so that departmental teams can attend for relevant subject/s at the correct time.

Quite often we meet companies who will conduct three or four presentations over a two-week period. The selection team will then be asked after all of the demonstrations to provide feedback. This often ends up being recalled from memory with little recourse to notes! Don't overlook the important detail of providing your team members with the requirements checklist at each demonstration. More importantly make it a checklist that can be completed during the presentation. Make it a quantitative document with a formal scoring mechanism. Use our [sample template](#) offered later in this document. Collect the feedback forms by the end of that working day whilst the demonstration is fresh in the memory.

The Very Shortlist



When you're down to the final two or three

Few ERP selection projects will identify a clear and outright winning solution from the initial round of demonstrations. If you do, then perhaps your initial research for an evaluation list was not quite as far reaching as it perhaps could have been. Typically two, possibly three solutions will be seen as serious contenders with quite a high degree of functional fit, but rarely an exact match to your requirements. This shortlisting stage is the point at which the most detailed investigation should take place by both parties.

Essentially you are:

- ✓ Double checking that key essential requirements can be met.
- ✓ Identifying gaps (gap analysis).
- ✓ Identifying resolution to gaps.

- Real or perceived gaps.
 - Development work.
 - Alternate suggestions.
 - Implications: costs/processes.
- ✓ **Planning for workshop demonstration.**
- Total focus on essentials.
 - Assess alternate suggestions.
 - Focus on implementation procedures.
 - Meet supplier at their premises.
 - Meet implementation team (you will be working alongside them).
 - Check post-implementation support (you will be depending upon it for speedy answers).

Even with all this double checking and detail work, it is again rare for an outright winner to emerge. We would always recommend that the senior management or owners of the business become involved in the project at this stage, if they have not been involved thus far. It is common for a selection team to present two solutions as both being capable and comparable in costs, and expect the executive management to make the final decision. But how can you make a decision to spend significant sums of money on something you haven't seen, with people you haven't met? If the executive or senior managers aren't involved, it only delays the project, until further presentations, meetings and demonstrations take place. It's your timetable.

Working with a Global Application Software Provider with Resellers: GASP ERP



Real-world issues you need to know about global authors with resellers

Meet GASP ERP from Global Application Software Providers, aka 'GASP'.

(This is a fictional company and product - any resemblance to existing companies present or past is unintentional.) GASP is vast in every sense of the word: turnover measured in billions; customers counted in tens of thousands; and a reseller network spanning the globe and again counted in the thousands.

They have grown through VC-backed acquisition or corporate finance. Their ERP library is developed in multiple centres of excellence and often very distant from UK shores. Their solutions typically overlap in terms of functional capability, technology and market focus. If their staff had £10 for every time they attempted to answer the question 'What is the difference between NNNNNNXX software and NNNNNNXX+ software?' they could be booking two holiday cruises a year!

Let's be frank though, if your company operates across several geographic locations or multiple financial jurisdictions, then a solution from GASP is possibly the only realistic option.

But for every upside there are also downsides. So here are some points to ponder . . .



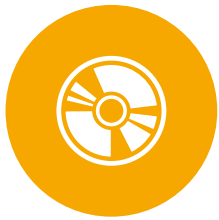
The Resellers: crunching some numbers

In almost every business, the 80/20 rule applies. In the case of our fictitious GASP ERP they have 2,000 reseller partners who have implemented 100,000 systems for customers. But 20% of the resellers have implemented 80,000 of those systems. This means the remaining 1,600 partners have supplied 20,000 systems, or 12 each on average. Check which category your GASP ERP reseller is in. No doubt you shall decide if this is an acceptable level of expertise or represents a sustainable viable financial business model.

Such resellers are operating on margins as low as 30% for software sales and often make very little or nothing from annual licence fees. Their support revenue is typically small, and classically their prime source of revenues is extended service and consultancy fees. This is often shown in very high day rates. They are also very highly geared towards new business and subject to stress and consolidation during economic downturns. Anybody who reads the computer press cannot fail but to see the number of resellers being acquired and consolidated.

However, the truly committed resellers are little different from software authors in their culture of developing truly long-term customer relationships and business solutions.

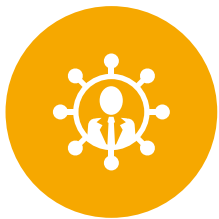
Pick yours with care.



The Software: long-term protection assumed?

The development technology from our fictitious global ERP author is described as ‘future proofed’. Any bespoke work, customer specific development or vertical market add-on will always work forever with later versions of the core solution without the need for, or costs attached to redevelopment. Such a statement provides a great comfort blanket for your investment.

Our suggested advice to you: Get such statements written into the supply and support contract, and if you can, get it underwritten by GASP ERP.



Vertical Market Solutions: bolt-on factors

GASP ERP develops truly great business software, fact. However they do have a drawback. In order to gain volume they have to develop solutions with the widest possible appeal, hence a great range of functional modules.

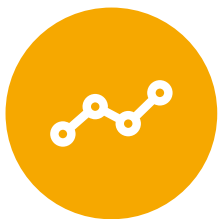
Even with their vast resources they cannot be all things to all people, and consequently struggle to develop industry-specific solutions for those businesses with industry regulation, statutory compliance, or complex functional and operating needs required in your line of business. They may cherry pick one or two perceived industries for which they will make significant development investments.

This is where ‘Reseller Market Solutions’ come into play. Here’s a simplistic example . . . A GASP ERP reseller, somewhere in the world has become expert and experienced in the needs of ‘winklepicker’ producers. They have developed a specific ‘add on’ for this specific market and called it Winklesoft. There are 25 winklepickers in their local geography and every single one uses Winklesoft, the solution for winklepickers. Very soon Winklesoft is added to the approved ‘bolt-on’ list for GASP ERP.

Other resellers dotted around the globe adopt Winklesoft for a marketing campaign and another 40 customers around the world sign up. This looks like a winner! Some bright marketing analyst at GASP ERP studies the global market size for more winklepicker producers and comes back with the answer 244.

Even if GASP ramp up marketing or invest in joint campaigns there is little market opportunity left of significance. Shortly thereafter Winklesoft is delisted from the approved 'bolt-on' list and the 40 additional customers are in something of a limbo land for support and ongoing development. Their only hope is they can sign support agreements with Winklesoft on the other side of the globe. Winklesoft, however, have decided to change the core ERP that they integrate with, and no longer support GASP ERP version 2009.

Now, we have most definitely exaggerated the situation. But the scenario portrayed reflects the mechanics and risks of Vertical Market Solutions with GASP ERP. It is the way it is . . . because nobody has yet found another way.



Summary: know if you're right to GASP

No major project, no significant investment is 100% risk free. Nor are we implying that working with a software reseller for your next ERP is the wrong choice. We have already stated that on occasion it is comparable to working with an ERP author. Sometimes, selecting a global ERP solution for your multiple manufacturing and distribution plants is the self-evident, logical thing to do. But it is not a default choice for everyone.

Points to consider:

- Choose your reseller with care, as you would a software author.
- Ensure any modified software is upgradable to the next version.
- Double check and treble check 'future proof forever' statements.
- Test the 'future proof' claims with contract clause inclusions.
- If you have industry specific requirements, treble check both of the above and then think again about the industry expertise within that reseller.

Comparing ERP Systems: Apples and Pears



Understand the pricing models so you can compare fairly

One of the biggest challenges facing any company selecting a new ERP system is compiling an exact like-for-like comparison of costs.

All puns intended, this is further clouded with web-based solutions and SaaS options, and differing versions within the one ERP solution providing an ERP Lite and an ERP Heavy option, even then breaking users down further into Full and 'Part Time' or 'Browser' types of user.

We can't influence (nor should we try) how companies price their software solutions. However, it will help you greatly if you can dictate the precise manner of cost submission to your suppliers.

Below are some sample pricing models:



Concurrent User

The total number of users connected and using the system at any ONE point in time.



Named User

Anybody who could potentially use the system must have a licence purchased. This means you could have several unused licences sitting idle at any one point in time.



User Based Pricing

Everything available is included in a cost per user. Like any product the more users you buy, the lower the cost per user.



User Based with Options

All the core modules are included within the cost per user price; you then buy specific modules for a given price irrespective of the numbers of users on your system.



Software as a Service (SaaS) Pricing

Software as a Service is fundamentally a rental model. It can apply to both cloud solutions and on premise (your server) types of installation. Any of the above price combinations can apply for a contract based subscription. There is usually a minimum term. The longer your contract term the lower the monthly subscription fee to you.

However resellers can be wary of lengthy contracts if it is between them and the author on your behalf. They are making long-term financial and contractual commitments on your behalf. Our fictitious GASP ERP does not care if you have ceased to use the software, the reseller still has to pay. It is obviously different if you are talking direct with the author; there are no middlemen involved.

Watch out for increase and decrease usage clauses within the contracts. You can subscribe for extra users at any time (pay more), but only decrease the number of users within 48 hours of contract anniversary (pay less). Slight exaggeration but you understand the point.



ERP 'Lite' and ERP 'Heavy'

If your system needs are fairly simple and straightforward, there are some great solutions under the 'ERP Lite' banner, quite functional and very affordable. If, however, you have the slightest hint of complexity then double and treble check that the functional needs are covered in the 'Lite' version. Generally anything complex is reserved functionality for the 'ERP Heavy' version. Otherwise what is the point of two price bands?



Restricted user types

Some software is supplied with full user and restricted user options. The former allows a user to go anywhere in the system, subject to security permissions. The latter ties the user to perhaps two or three functions only, such as customer enquiry, and sales order input. You may pay half the price of a full user, but if you can't do the job you have probably wasted that 'half price'.

Summary of an ERP project

An ERP project is, in practice, little different from any other investment project your company may undertake, except it is something that is done rarely, perhaps once every seven to ten years. So here is a helpful summary of the steps involved:



Acknowledge the problems

If you are starting to experience difficulties from your existing system, start recording them early. Get documented evidence of the cause, cost and implications of the issues. If alternate processes can be found, use them, but record the results.



Research and more research

Long before you start the project proper, identify those companies with whom you wish to discuss your requirements. Who sends you marketing material, invitations to events and webinars? They must think they have a solution worthy of consideration! Remember, though, that global organisations have the biggest marketing budgets, so don't forget to dig deeper to find national, sector experts.



Statement of Requirements (ERP Vision Guide)

Use the issues from above as the starting point. Don't think in terms of how things are now, but how they could/should be. Ask the providers on your evaluation list to provide input/suggestions. Keep your Vision Guide concise and relevant to the key issues.

Have your document ready before you start meeting potential suppliers.
[Download our free ERP Vision Guide template](#)



Short project timetable

There is never a good time to change systems. Work out your least bad time for implementation, and work backwards to calculate a project start date. The more preparation you do in advance of meeting potential solution providers, the shorter you can make the project timetable, minimising interruptions to daily working routines for your people.



Small project team

A solution selected by the users generally gets the best results from the implementation. One imposed from above by dictat is often opposed by the users during implementation. But keep your team small and acknowledge its different personalities.



Discovery Visits/Discovery Days

Be prepared for these. What's the focus, which key elements do you need to see? Just as you are doing concise preparation and due diligence, so potential suppliers will be double checking their suitability for your project. Make sure you both have agendas. [Download our free Discovery Visit Planner template](#)



Demonstrations

Obtain feedback from your team on the day, not at the end of a two-week multi-demonstration period. Have checklists that can be completed at the end of each demonstration and make them measurable. [Download our free ERP Demonstration Score Card template](#)



The Shortlist

If you are the senior manager in the business, get involved no later than this stage, when the final two or three potential suppliers are bought back for final double-check demonstrations against your requirements. Somebody will soon be asking you to approve a significant expenditure! Understand why you are spending the money.



Potential suppliers

As you research ERP solutions, then you should also conduct financial due diligence upon the suppliers. Get to understand their revenue streams and sources of income. The greater the proportion of revenue that comes from support and licence fees, then the greater their stability over the medium- and long-term.

The decision

Your shortlist will usually comprise two very comparable offerings in every sense; functionality, technology and cost. So what makes the difference? The final decision actually comes down to people, relationships and culture.

- ✓ The individuals you are dealing with.
- ✓ Their understanding of:
 - › Your industry.
 - › Problems.
 - › Aspirations.
- ✓ Minimal risk:
 - › Stability over the medium- and long-term.
 - › Resources to execute your project.
 - › Resources to support your company.

Free Tools For ERP Projects

Here are some ready-to-use documents to progress your ERP project.



Statement of requirements / ERP vision guide template

We do not tell you what to put in this basic SOR/ERP Vision Guide document, but provide some indicators and time saving tips to help get you started.

[Download now >](#)



Discovery visit planner template

This document is for structuring a 'Discovery Day' or 'Discovery Visit' when potential suppliers come to meet with you and truly get to grips with specific requirements.

[Download now >](#)

Requirement	Score	Weight
General	1	1
Customer Usability	2	2
Flexibility	3	3
Integration	4	4
Reporting	5	5
Customisation	6	6
Implementation	7	7
Support	8	8
Training	9	9
Cost	10	10
Security	11	11
Compliance	12	12
Scalability	13	13
Performance	14	14
Reliability	15	15
Availability	16	16
Disaster Recovery	17	17
Backup	18	18
Archiving	19	19
Logging	20	20
Monitoring	21	21
Alerting	22	22
Configuration	23	23
Deployment	24	24
Upgrade	25	25
Migration	26	26
Testing	27	27
Documentation	28	28
Helpdesk	29	29
Knowledge Base	30	30

ERP demonstration score card template

A simple system that allows your team to make notes during a demonstration, score the solution being demonstrated and provide quick feedback. It is a quantitative tool. Modify it as you wish.

[Download now >](#)

We hope you have found this guide of value and wish your business every success in the future.

To speak with Sanderson about your manufacturing ERP/MRP system options:

Call now: **0333 123 1400**

Email: **info@sanderson.com**

Read more on **www.sanderson.com**