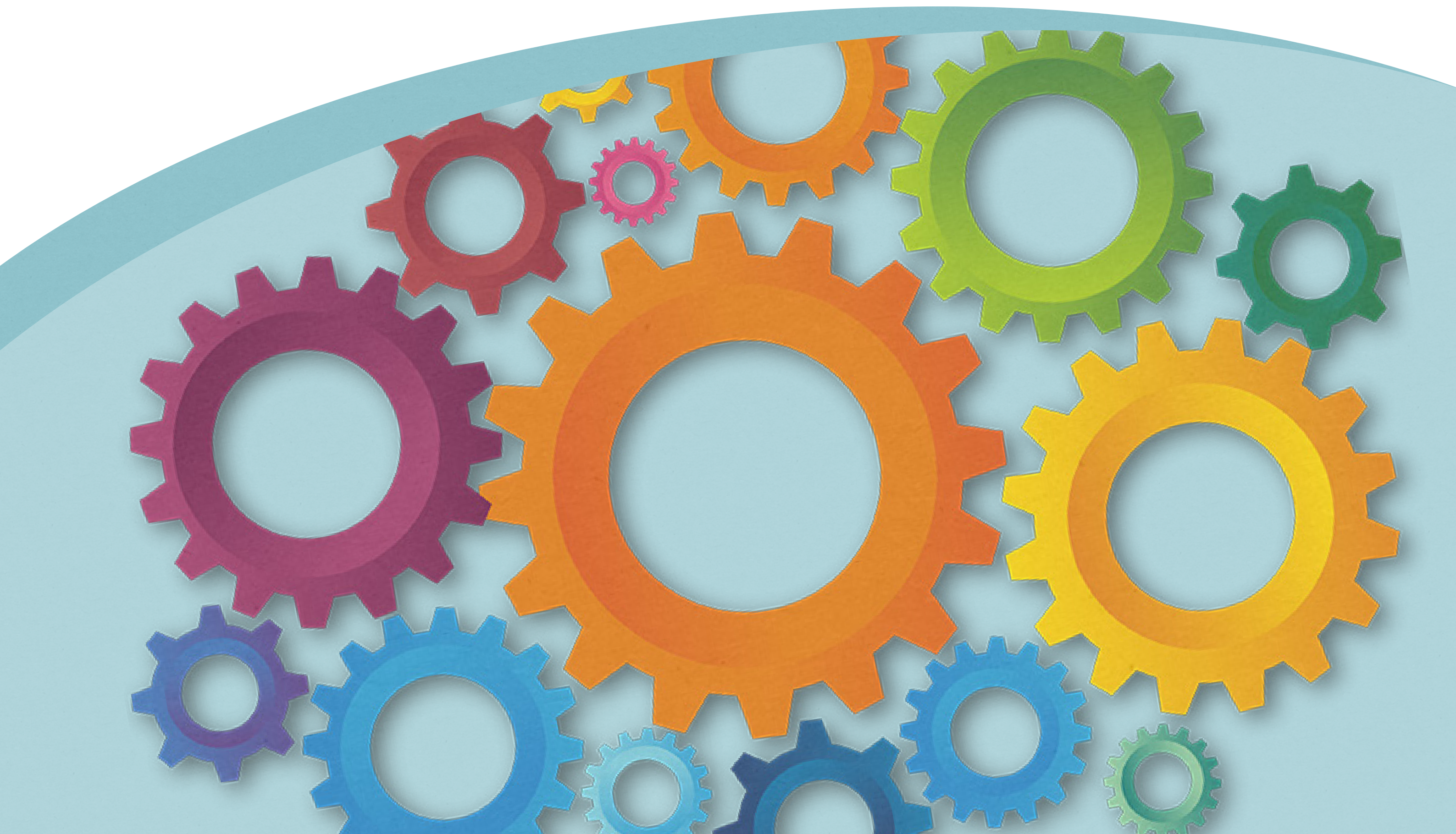
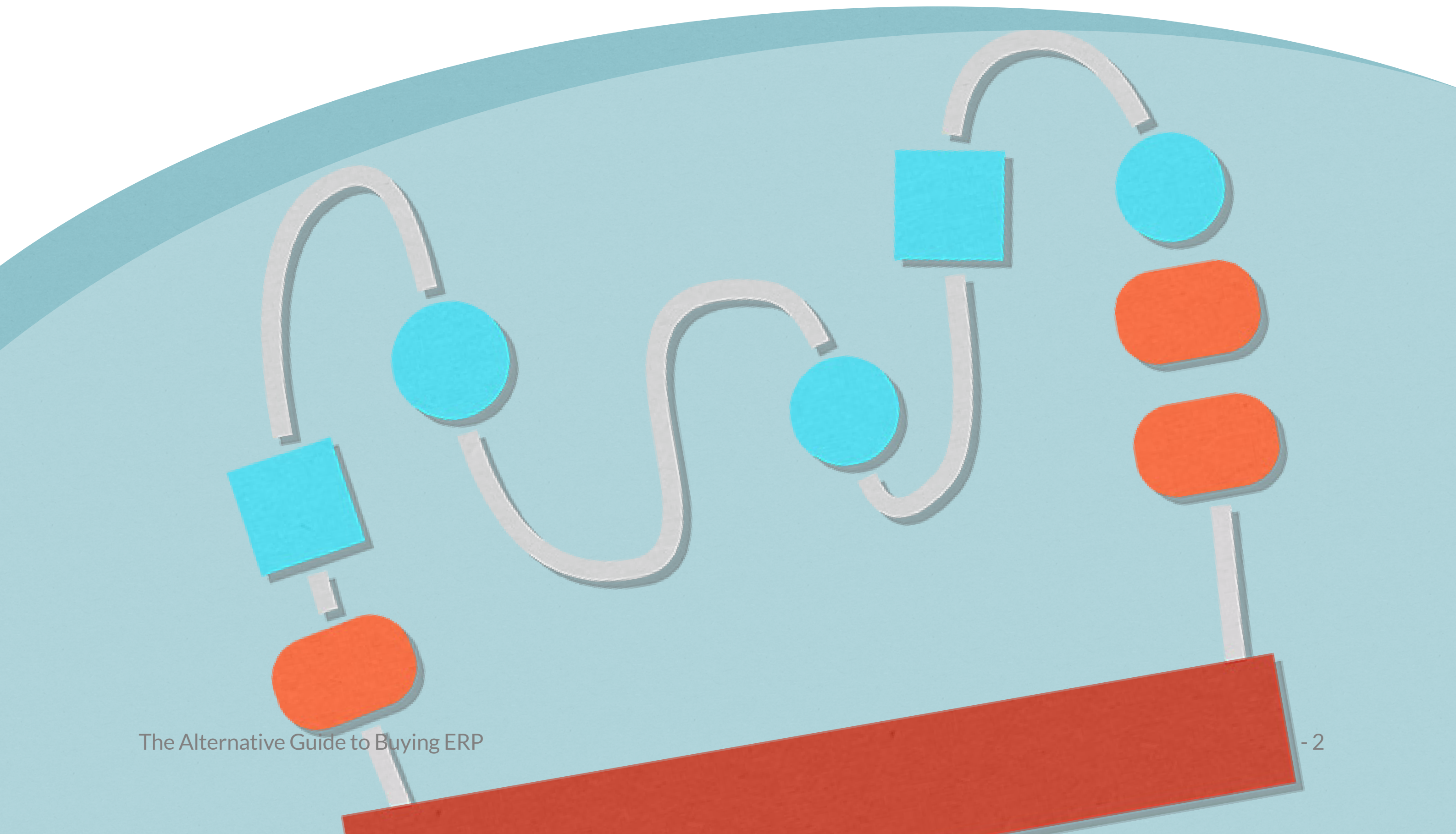
We are
The NAV People
The 365 People

The Alternative Guide to Buying ERP



Introduction

Twenty years ago, there were literally hundreds of enterprise resource planning (ERP) and accounting products on sale in the UK. Mid-market businesses – companies with between 50 and 250 employees – had lots of options to consider when replacing their systems. Today there are, perhaps, just four products worthy of consideration. Here we identify the factors that have driven this change and how selection processes need to change to reflect it.



Consolidation

The market for ERP software has consolidated dramatically because of the following things:

1. Development costs

Great software is awfully expensive to develop and maintain – this is especially true of ERP software. It has become uneconomic to develop software that only serves a local domestic market – even the US just isn't big enough to secure a return – so vendors have, therefore, chosen to focus their development spend on products that they can market worldwide. As a result, other products have gone stale, volumes of new business falling as a result, starting a vicious cycle of decline.

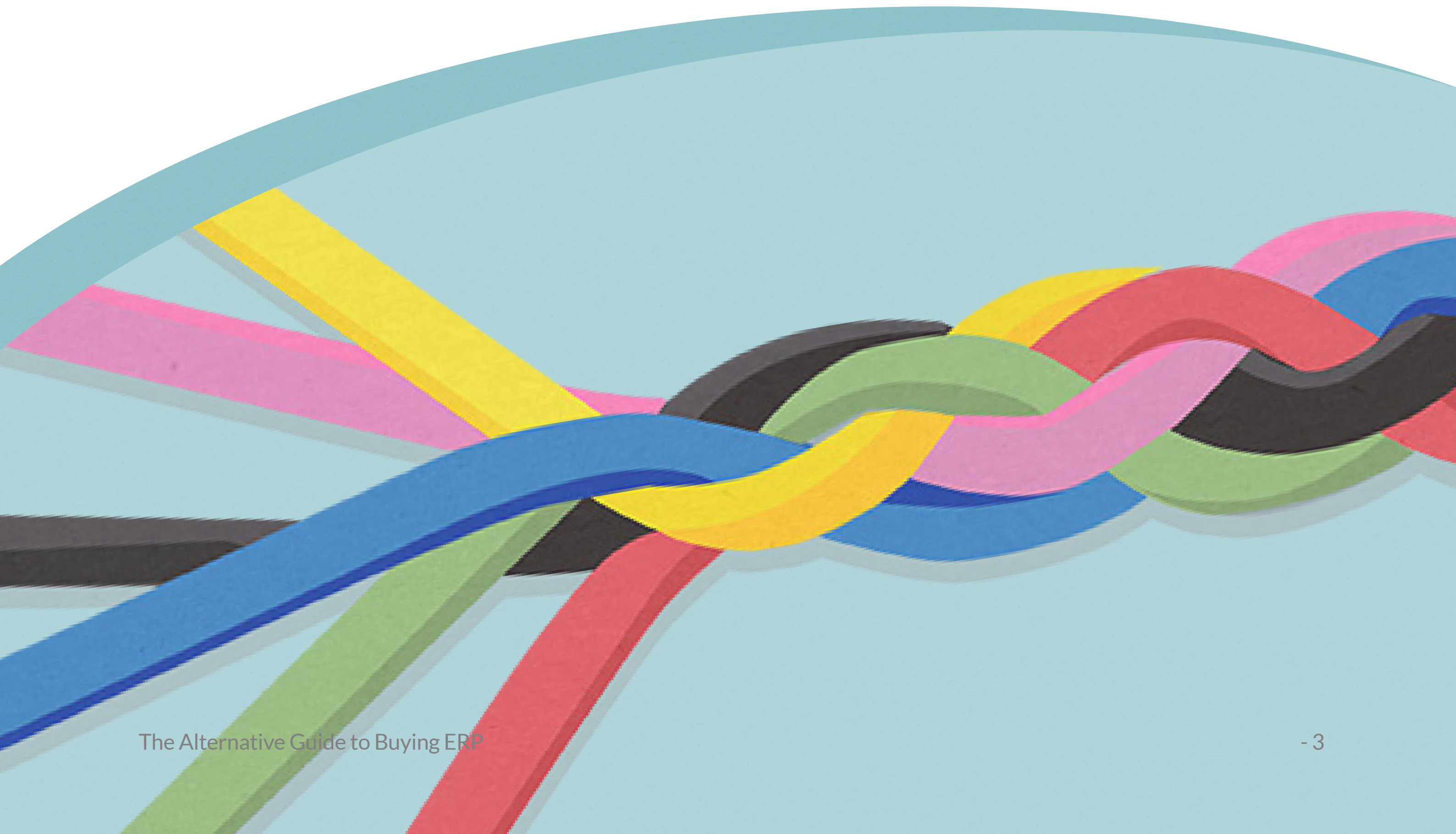
2. Technology shifts

The cost of developing/maintaining ERP software is exacerbated by the significant shifts that the IT industry makes every 10 to 15 years, with client/server and cloud being the two most recent examples. These shifts have required vendors to reengineer each of their products, but some products are just too hard or too expensive to migrate. As a result, some products don't make it from one era into the next.

3. Time

Many ERP software vendors were established in the late '80s, early '90s. At some point, many founders chose to exit or retire. Some ERP systems were sold to organisations like Oracle and Microsoft (who now see business applications as a key part of their proposition), while others ended up with organisations like Infor, whose business models are focused on sweating existing customer contracts.

As a result of the above, a long list of great products have lost traction in the market, including SunAccounts, Aggresso, Exchequer, Coda, McKeown, Tetra, Platinum and Scala.



The four horses...

There are now, fundamentally, just four horses left in the mid-market ERP product race: Dynamics 365 Business Central, BusinessOne, NetSuite and FinancialForce.

Of these products, the functionality of the first two (Business Central and BusinessOne) leans more towards distribution/ manufacturing, whilst NetSuite and Financial Force lean towards services industries.

Organisations should take a look at all four products – but we don't believe that a detailed examination of ERP functionality will yield a useful preference. Instead, we would recommend that you consider these six factors:

1. Integrated Experience

Most ERP users will spend most of their day in email/ spreadsheets/CRM tools. The extent to which these different experiences have been or can be integrated with the ERP system you choose will make a huge difference to individual productivity.

2. Cloud Infrastructure

Does the vendor support both public and private cloud deployments? Choice is always a good thing. Does the vendor operate their public cloud infrastructure at great scale? If so, they can enjoy/share the significant benefits associated with doing so.

3. Business Intelligence (BI)

Mid-market organisations need BI tools that a) can be used by smart users in each department – not expensive specialists in a dedicated central team, b) are generic – capable of being used on top of more than one line of business application and c) tightly integrated with their chosen ERP application.

4. Customisation Platform

Customers will always want to customise their solution to some extent, so vendors need to make this really easy (cheap), whilst maintaining the integrity of their public cloud infrastructure. To do this, vendors need to ensure that the skills required to customise the solution are generic.

5. Availability of Resource

Plus or minus an amount – all software costs the same. The real cost lies in the services required to deploy the product.

This isn't a one-time investment – the system will need to be maintained and updated over many years. Lifetime costs will, therefore, depend on the extent to which skilled resource is available in the market.

6. Number of Customers

The availability of resource is largely driven by the number of customers. Scale is critical. It drives vendor economics – which ultimately determine the quality of any product and its longevity in market.

On the basis of these six issues – we'd assess the four products like this:

Product	Dynamics 365 Business Central	Business One	NetSuite	FinancialForce
Owned by	Microsoft	SAP	Oracle	Salesforce*
Personal productivity tools	Microsoft Office	Links to Microsoft Office	Links to Microsoft Office	Links to Microsoft Office
Large scale public cloud infrastructure provider?	Microsoft Azure	Runs on own infrastructure	Runs on Oracle cloud infrastructure	Runs on Salesforce cloud infrastructure
Mid-market BI offer	Power BI	Own proprietary	Own Proprietary	Tableau
ISV/Customisation Platform	PowerApps	Own Proprietary	Own Proprietary	Lightning
Availability of resource	High	Medium	Medium	Low
Number of customers	Tens of thousands	Tens of thousands	Thousands	Hundreds

* FinancialForce is built on Salesforce's Lightning platform. The company is privately owned. Salesforce are a significant investor.

Broader context

Once upon a time, the IT industry was dominated by brands like IBM, Digital (DEC), HP, and Honeywell. However, as hardware became a commodity, these businesses failed to reinvent themselves and faded away. Now, the industry is organised around competition between Amazon, Microsoft, Salesforce and Oracle, and the business applications market is just one aspect of this.

> SAP

SAP defined the on-premise ERP software market – but aren't operating on the same stage as Salesforce, Amazon, Oracle and Microsoft.

> Salesforce

Salesforce defined the cloud-based CRM market and are now leveraging/enhancing their Lightning platform to go broader. A few months ago, they acquired Tableau to strengthen their hand against Microsoft. We wait with interest to see if they choose to consume FinancialForce.

> Amazon

Amazon, made the market for cloud infrastructure but have not, as yet, made a move into the business applications. We watch this space with interest.

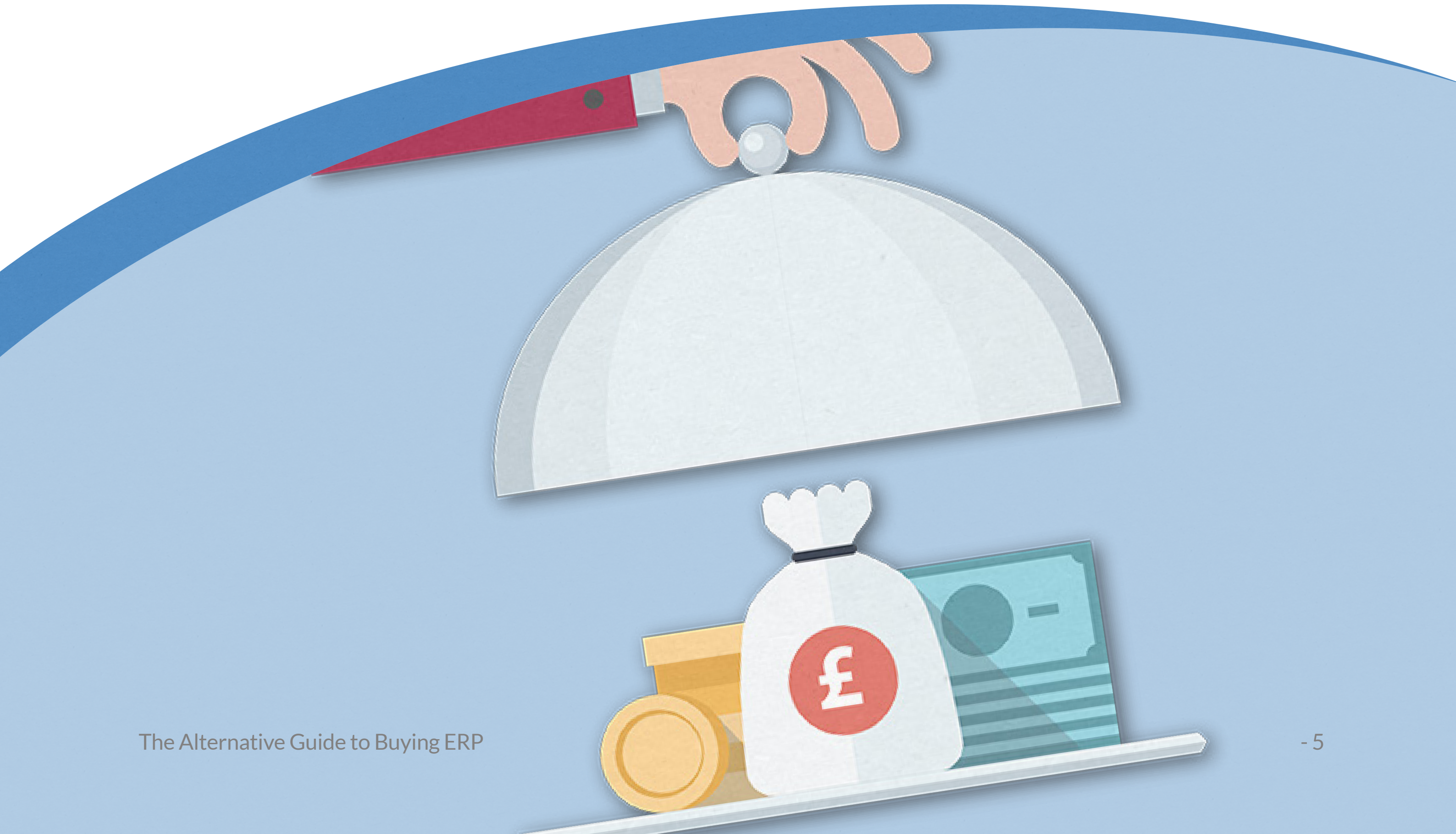
> Oracle

Oracle started out in the database market and then acquired the business applications that drove many database product sales. It's now playing catch up in terms of cloud infrastructure. Absent NetSuite, the company remains very Enterprise oriented.

> Microsoft

Having helped put a PC on every desktop, Microsoft moved on to invest in on-premise infrastructure like Windows Server and then followed Oracle into the database market with SQL Server. More recently the business has been focused on business applications and cloud infrastructure – as it seeks to chase down Amazon.

All ERP vendors will tell you that selecting their product will define the success of your project. We think they're wrong. Unless you are in a very niche vertical, your functional needs will be largely homogenous – capable of being served by all four of the ERP products we've talked about here. On that basis, your choice of partner becomes the single biggest factor determining the success of your project.



A new way to buy?

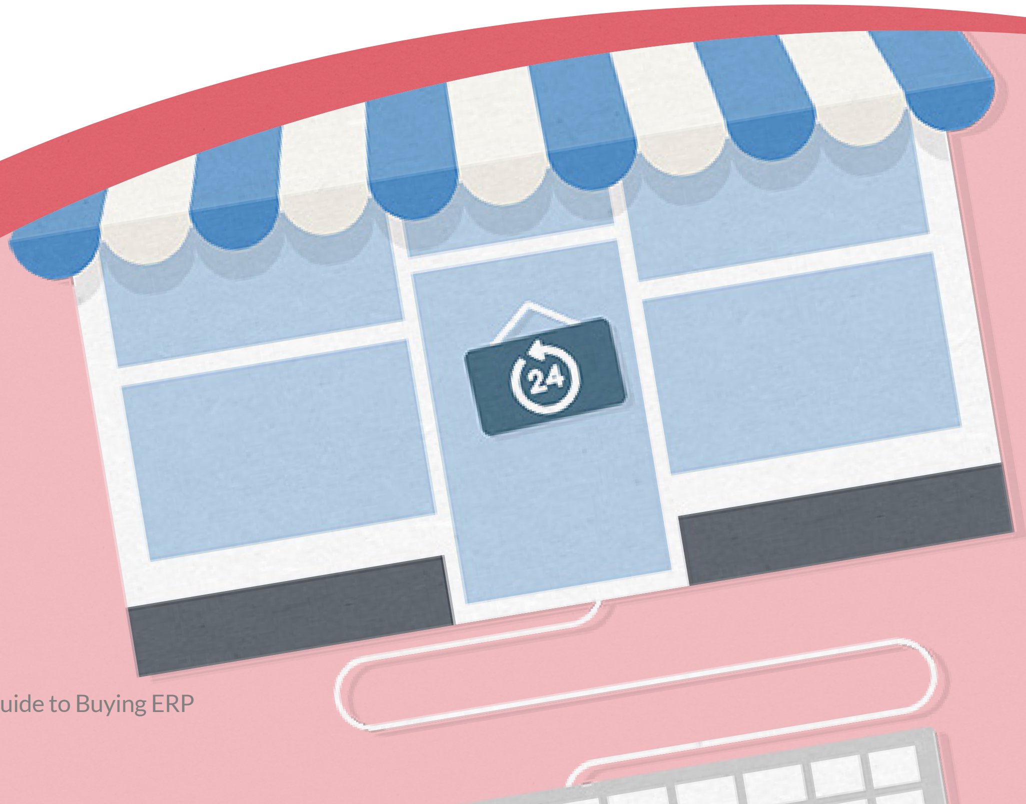
A traditional ERP selection process involves the appointment of an 'independent' consultant, the preparation and review of a weighty tender document and a commitment to hours of heavily prescribed demos. This process was designed 20 years ago when there were many, very different products to consider. Now there are really only four products in the market – each of which do the much the same thing. The key differences between them – the six points highlighted earlier – don't need a detailed process to identify. On that basis we believe selection processes need to change to address the factors that really determine the success of a project:

> The commitment and quality of the Partner you select. Quality is defined in terms of skills breadth and depth.

> The cultural fit between your internal team and the Partner you select to deploy your new system.

Start by doing the following:

1. Talk to the Vendors, search on Google, use your network – build a long list of partners that have a reputation of serving organisations like your own. Make sure you start the process knowing that you have included everyone who looks credible. Worrying that there might be someone better out there is an uncomfortable feeling.
2. Put your best people on the project – not those that happen to be available. Your best people will always be busy – but applying them to this task is the best way to manage the risk that is associated with ERP projects.
3. Write up a short brief and invite the Partners you have identified to engage on whatever basis they suggest. Pick the four whose approach feels most relevant/interesting. Let the partner shape the early engagement – but make sure you go to their offices and ask for a tour. This is the beginning of the process by which you will assess cultural fit. This is something that you need to 'feel'. Make the time. Don't ask someone (an independent Consultant) to try on your behalf.
4. Identify the two companies that you feel most comfortable with. Get into a more detailed collaborative engagement around your business issues and plans. Ask the partner to put up their best people. Be willing to pay for their time. Test the extent to which they challenge your team. Does your process really need to be different?



5. Get specific answers to key questions, such as:

"How many [Product] solutions have your current team deployed?"

Deep product knowledge is just fundamental.

"Which of those customers are in my industry?"

Industry experience can help your deployment go faster and deliver a better result. Don't deploy with a partner that cannot provide it.

"When can I meet the people that deployed those projects?"

Make sure they haven't left.

"What's the minimum number of qualified staff on your support desk at any time?"

A deployment project is just the beginning of a long-term relationship with a partner. For most of the time you work with that partner, their support team will be your primary point of contact. How many people do they really have on staff – in the office – ready to take your call? Are these people 'juniors' or senior staff able to resolve material issues?

"What broader skills do you have on staff?"

Much of the upside you should expect to enjoy from implementing a new business application must come from integration. If you are going to get these benefits (either from day one or later on) your partner needs to have relevant skills on staff. Otherwise you will be deploying 'just another' siloed ERP.

6. Get into an initial contract discussion – it's a great indicator of the real culture in the business.

7. Get the partners to document their recommendations. Exclude anyone who wants to adopt a waterfall approach to delivery (where you only see something at the end). Insist on a fast/agile/iterative approach that delivers something tangible every 2/4 weeks. This will build confidence within the project team and your wider business. Projects that take time create their own issues – people move on or get switched to other projects, introducing significant levels of risk.

8. Having done steps 1-to-7, pick the partner that you and your team believe in, want to work with and trust. Contract them, in the first instance, to deliver a proof of concept. This will help you validate your product decision and see the partner in real action.

Conclusion

Insanity is defined as doing the same thing and expecting different results. ERP replacement projects don't have a great reputation and, in our experience, the seeds of failure are almost always sown right at the start of the project. In other words, during the selection process.

Your selection process should reflect the fact that your choice of partner is now the single biggest factor determining the success of your project. Pick your partner first and let that decision lead you to the answer about what product you deploy. Your project will go better as a direct result.

To Get In Touch

Newbury: +44 (0) 208 328 9814

Manchester: +44 (0) 161 7300 118

General: moreinfo@thenavpeople.com

Web: www.the365people.com