INSIDECRM

Understanding your company's needs will significantly ease your decision-making process.

10 Questions to Ask When Choosing a Midmarket ERP Solution

The seas of ERP (Enterprise Resource Planning) are vast, and navigating the rocky waters of the current market is no simple task. The many midmarket ERP vendors all want your company's business — in fact, Boston-based AMR Research calls it a "buyer's market" — and they will try their best to dazzle you with spectacular product demos and enticing promises of a smooth-sailing deployment.

Don't be fooled. Midmarket ERP offerings may be scaled down to meet the requirements particular to midmarket companies, but that doesn't change the inherently complex — and expensive — nature of enterprisewide technology that links together many disparate business processes. To make sure that you choose wisely when committing to an ERP solution, ask at least these 10 questions when researching vendors and their products.

1. Do you know and understand the business problems your organization's business leaders plan to solve with ERP? The first step in choosing the right solution for your organization is knowing exactly what you need that ERP package to do. This is easy if the ERP adoption is driven by an outdated point-solution, such as one for financial management, that must be replaced with an automated solution. Your company may be embarking on an ERP implementation to grow revenue, increase productivity and improve efficiency, but figuring out the specific problems that need to be fixed to meet these goals can take some digging.

Keep in mind that "many ERP installations have fallen short of expectations precisely because of a failure to determine and define detailed project goals at the outset," according to British financial-software provider Lakeview.

2. Does your organization have a business-application vendor already? If your company currently uses applications in the Oracle-PeopleSoft, Oracle-JD Edwards or SAP business- application suites, your decision may be made for you. However, if you're not satisfied with the vendor's performance or if the ERP functionality doesn't suit your organization's needs, you don't have to be locked in. Changing to a different vendor will probably interfere with the business to a certain degree, but it may be worth the disruption if it results in an ERP package that will ultimately reduce costs across your organization.

3. Does your organization have any legacy ERP systems to contend with?
In the wake of a merger or acquisition, a newly expanded company is likely to have business applications from more than one ERP vendor scattered across the distributed environment. Aberdeen Group Inc. said in its "The 2007 ERP in the Mid-Market Benchmark Report" that 25 percent of the 650 midsize companies it surveyed plan to replace their ERP systems within three years.

The report goes on, "The proliferation of ERP contributes significantly to these replacement strategies, causing integration issues (43 percent), which create the desire to consolidate … multiple ERPs (40 percent)." Also, 37 percent of those respondents cited a need for a global, standardized solution with international capabilities. If your organization is replacing a legacy ERP system or consolidated multiple systems, it's critically important to standardize business processes across the enterprise.

4. Is a vertical ERP solution suitable for your organization? In an effort to make ERP more accessible to midmarket companies, most vendors have released bundles with software tailored to specific industries — the choices are abundant and likely to target your organization's industry, whatever it may be. Such a solution may speed deployment and decrease the amount of customization you require to fully support your organization's business processes.

Irvine, Calif.-based ERP vendor Epicor Software Corp., for instance, offers solutions for financial-services, hospitality and entertainment, nonprofit and retail companies. Similarly, Infor, located in Alpharetta, Ga., offers solutions for aerospace, janitorial, life-sciences and shipbuilding companies, among others. Lawson, in St. Paul, Minn., has solutions for distribution and health care companies, while Microsoft's offerings include those aimed at industrial-equipment manufacturing and energy organizations.

5. What functionality will your organization actually use? You may not need an end-to-end solution that incorporates everything from payroll to field-service management to product-return authorizations to sales tax management. Aberdeen Group's "The 2007 ERP in the Mid-Market Benchmark Report" reveals that the most frequently-used ERP applications are in the financial and manufacturing modules. Purchasing is the most widely adopted, used by 96 percent of the midmarket survey respondents. Next, 95 percent use accounts payable, 94 percent use inventory control, and 93 percent each use general ledger and accounts receivable.

In contrast, few of those companies used their ERP applications for payroll (18 percent), Human Capital Management (8 percent), Enterprise Asset Management (6 percent) and event management (a measly 4 percent). Your business may not either.

For many companies, certain ERP functionality may be too specialized to be very useful for their business. Alternatively, they may already have a point-solution that already handles a function like HCM, or they may outsource a feature like payroll. The bottom line: Don't pay for functionality your organization doesn't need now or won't use in the foreseeable future.

6. Does the ERP solution align with your organization's business processes?
To the greatest extent possible, make sure that the ERP system you choose requires very little — ideally, zero — modification to align the applications with your business processes. For the solution to be a good match for your organization, you should not have to employ the vendor (at considerable cost) to change the software's source code to match your business processes. Even if your industry requires particular functionality, such as complying with manufacturing and environmental regulations, you should be able to find a vertical solution that delivers that functionality as part of its core offering.

That's not to say that the ERP solution shouldn't be customizable — it should, and it should probably come with a programming toolkit so that your company's IT staff can fine-tune the applications.

7. Does your organization have the IT resources necessary to support an on-premise installation? Recognizing that midsize companies often have constrained IT budgets with fewer programmers and IT administrators to dedicate to an ERP implementation than do large companies, ERP vendors are beginning to deliver their applications on demand or as hosted applications. For instance, QAD Inc., with headquarters in Santa Barbara, Calif., offers its ERP solution both as an on-site implementation and on-demand. Typical of SaaS (software-as-a- service) solutions, QAD's offering includes everything from a scaleable infrastructure to upgrades to the ERP software post-deployment. Also, SAP is currently in the early-adoption phase of launching its new Business ByDesign midmarket offering, another ERP solution delivered as SaaS.

Alternatively, some vendors, including Epicor Software Corp., Lawson and Infor, offer application-hosting services, managing and maintaining your organization's ERP solution on their infrastructure.

Even if your company can support on-site ERP, you may have good reason to consider an on-demand or hosted solution, as it can be a low-cost and quickly adaptable alternative to an on-premise ERP installation.

8. What kind of services will your organization require from the ERP vendor?
Your company will require its vendor of choice's services, from helping select the right offering — many vendors offer more than one ERP package suitable

INSIDECRM

for a midmarket company — to customizing the specific modules. Because you want to get the most out of your ERP implementation right away, consider also using a vendor's business and IT resources consulting services — they can help design business processes to best fit the ERP applications, as well as help plan for infrastructure growth as your organization expands. Also, make sure that your company's vendor of choice offers adequate support services, training and even global outsourcing services.

9. What is the true cost of the ERP solution? Like any large-scale technology undertaking, purchasing the software and licensing — the cost of which depends on your organization's size, the number of employees who will use the software and the number of ERP applications you're buying — is just one part of the final cost of an ERP solution. Because midmarket companies are likely to be operating on a more limited budget than their larger competitors, it's critical to know up-front what the costs will be for implementation services, maintenance fees and upgrades. Such professional services don't come cheap, according to Aberdeen Group's "The 2007 ERP in the Mid-Market Benchmark Report." Of the 645 midsize companies surveyed, Infor customers had the lowest services-cost-to-software-cost ratio, spending an average of 70 cents on professional services for every dollar spent on software.

10. Does the vendor have a clear long-term product strategy? In AMR Research's 2007 report, "ERP Providers Serving the Midmarket," the firm noted that midmarket ERP investments are "intended to last an organization 15 to 20 years." Few deployments are expected to have a life span even half that of ERP, so investigating the long-term prospects of a company may be a new notion — particularly when you consider the many mergers and acquisitions that have roiled the ERP market in recent years. Nevertheless, you need to be sure that your company's ERP implementation will be able to grow with the organization and adapt to changes in the business, as well as continue to offer the best in ERP functionality as the technology continues to evolve.