

Selecting ERP Software

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My company has implemented ERP software for 20 years and specifically Microsoft Dynamics GP for the past three. Twenty years ago they called it accounting software because for the most part that is all the software did. Now, these software systems have the potential to run every facet of a business. Financials, Supply chain, Human Resources etc all within one piece of software. The days of buying or building the best of breed application and then an army of programmers to merge it all together are over. One software package is better than two which is better than three etc. etc.

Before we begin, let's define something... I classify ERP software as software that can or has the potential to run all operations of a business (not just be an electronic checkbook). Additionally, ERP software must help you gain insight into your business, and automate all or a large majority of the business processes that make up your business.

Every business must someday select business software to run their business. This decision is not only monumental, but has a powerful ripple effect for years after the initial decision is made. Accordingly, the levity of this decision demands that it be made with some sort of structure.

Selecting "run your business software" is strategic and should be approached that way. No company wants to change what they have unless it is absolutely necessary. Likewise, buying the wrong software from the wrong vendor can cripple a business and hinder operations and profitability.

The majority of customers we see change their business software for the following two reasons. First, they have outgrown what they have and want something to run all facets of their business. Second, they have an old "homegrown" system that has been built over the last twenty years and has become unmanageable and obsolete. With those two issues at the forefront of our minds, and based on my 20 years of implementing business software, I feel the process can be broken down into several distinct areas that can help evaluate and determine the "right" business software for your business.

The following are the broad areas that must be defined before software selection to be done correctly. I personally would want one system, not several, so therefore the below areas must be met to satisfy everyone in the company. I have seen many occasions where a company buys really great software for operations and then someone has to import the data into another G/L package. One system is better than two which is better than three etc. etc. You want one system if at possible...

- **Operationally.** Let's consider the example of a distributor. From an operations standpoint, a distributor must be able to: pick, pack and ship orders; and manage inventory, purchase orders, collections, cash, budgeting and forecasting, returns, etc. A business must choose members of a team to define the business processes that make the business run. The items listed should range from the "must haves" to the "wish list" items. The team should be comprised of those people who are in charge of those areas and business processes. This team ultimately will be the people who must take "ownership" of that part of their respective part of the system. They must buy in to the project, have a sense of ownership, and know that the undertaking will result in better operations for the company and ultimately themselves.
- **Future considerations.** Many top executives looking into the future and think, "My business may change." So it's crucial to choose a package that will be able to meet changing needs. Calling again on the distributor example above, if down the road the executive wants the capability to do wireless picking and receiving in the warehouse, does that exist in the software I am reviewing? E-commerce? HR functionality? Can I outgrow this software?
- **Modification.** If the software does not meet 80 percent of the "must have" requirements, you may wish to continue your search or consider the software's ability to be customized to meet your needs. However, most customers we work with prefer to avoid major customization (and in all honesty, rightly so.) Dynamics GP allows for customization of certain things and still permits upgrades.
- **Time Required for Implementation.** Having realistic expectations for the life-cycle of your project is key. Depending on the size of your company, it may take six months to two years to completely integrate business software in all the operational areas of your business. Projects of this magnitude should be deployed in phases.
- **Financial Reporting.** Consider the financial reporting features: budgeting and planning capabilities; forecasting, etc. Beware of the cases of operationally great software that treats the general ledger side as an after thought.
- **Reporting.** Current ERP systems collect massive amounts of data. If the reporting tools are not user-friendly enough for people to use, the greatest operational system in the world is useless. *IT* stands for *information technology*; if your ERP system does not allow easy access to the information it collects, then you cannot make timely, data-driven business decisions. In most cases when we talk to management types, this is their number one requirement.

- **Software Vendor.** I define this as the company that owns and writes the software. There has been tremendous consolidation on the ERP market for small to medium size businesses. There are only a few companies that control 90 percent of the ERP market for a small-midsize business. Without mentioning all of them I will say Dynamics GP is one of them, if not the biggest in that space. Any other company outside that few is a niche player and cannot bring all the resources needed to keep a ERP product line constantly progressing forward with technology changes.
- **Financing.** Consider if the software vendor provides end-to-end financing. Financing should include hardware, software, implementation, and training services. Do not underestimate the investment you are about to make; typically it is proportional to the size of company you operate. If the software company does not provide their own financing or does not have access to financing for their customers, this is a red flag indication to the size of the software vendor.

Yes, the above items are very broad, but should be taken as a strong indication of the levity of the decision, the amount of effort that should be taken in considering and evaluating software and software vendors, expectations, as well as classic pit falls that I have learned in my 20 years of implementing business software.

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