

How to Start Down the ERP Selection Path



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before you even start
looking for a vendor

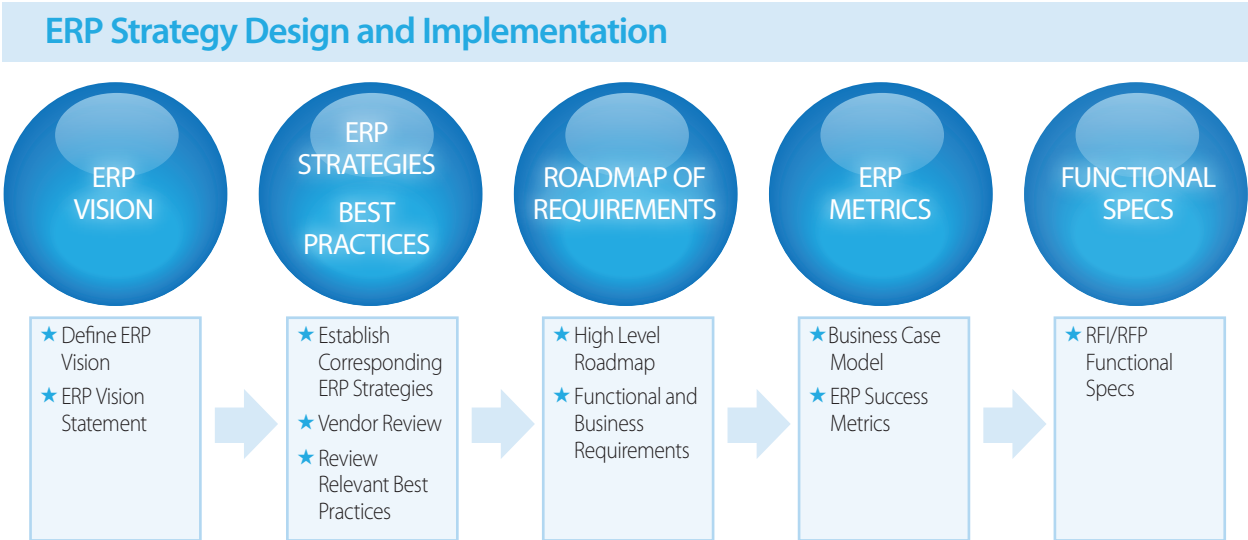
How to start down the ERP selection path:

Seven rules to follow before you even start looking for a vendor

A decade ago, one sobering statistic clouded the otherwise rosy promise of technology: about 70% of all major software initiatives failed to reach their goals, and nearly a quarter were cancelled and written off. Today, with better data management, more flexible applications and easier launches, the frequency of “failed” ERP programs is lower. But companies still manage to snatch defeat from the jaws of victory far too often, and when that happens the result can be disastrous.

Successful ERP initiatives start with the right foundation. An evaluation and decision-making structure that recognizes that ERP vendor selection is actually three decisions blended into one:

- ★ A **technical** decision, based mostly on what happens at the end-user level, as well as with the IT team. Includes issues like “platform” and “integration” and “customization”.
- ★ An **operational** decision, based on what the company does to fulfill customer orders. The ERP system must adapt easily to the customer/product/service mix, and do it without extensive or expensive modifications.
- ★ A **business** decision, based on the anticipated return on investment (ROI). ERP system functionality, pricing, and vendor support capabilities vary widely, and over- or under-buying, or choosing the wrong implementation partner, can reduce ROI and consume resources otherwise available to expand the enterprise.



Following these seven rules will help you make the best decisions and realize more of the gains an ERP system can bring to your organization:

1

Don't automate a train wreck. One of the most important rules of any software implementation project is to automate the right processes and practices. Selecting and implementing an ERP system is the perfect opportunity to get the basic steps right, then turbocharge results with automation. If the steps aren't the right ones, however, you can go nowhere even faster. Allow the time – and allocate the resources – to audit your current processes and at least identify where better ways need to be implemented (along with the software).

Get Started Right:

- ★ **Create a "wish list"** of processes that need to be revised or replaced inside your organization.
- ★ **Invite everyone** – especially the people who will not be part of your ERP implementation team – to contribute to the wish list.
- ★ **Sort and prioritize the list**, so you tackle the most important fixes first.
- ★ **Draft new processes** (even if you won't implement until the ERP system is in place) and walk through them to ensure they work. These will become part of the workflow coding that goes into your ERP system.

2

Recognize that knowledge is power. If you don't know ERP, hire someone who does to help define the need and pick the best solution. For the uninitiated, the varied (and often conflicting) solutions from ERP vendors can be overwhelming. It's important to be able to sort not only substance from hype, but to know which ERP capabilities are really important for your organization and which could be expensive versions of "bells & whistles." The right consultant can not only help you define your needs effectively, but also identify what you don't need and thus prevent costly over-buying.

Get Started Right:

- ★ **Poll your company staff** for hidden expertise and experience in ERP implementation...chances are good that someone has been through the wars somewhere.
- ★ **Check your industry network** for a consultant that knows both ERP and your unique needs.
- ★ **Go to LinkedIn** and check for a group that shares your interests; for example, InforNation, The Drive ERP group or VISUAL Manufacturing Network.

3

Give your ERP decision (and implementation) the resources it needs to succeed. Everyone has something else important to do...especially if you are a smaller manufacturer. You simply can't afford to take staff and assign them full-time to figuring out an ERP solution, like the big players. But doing the opposite – devoting too few resources to the project – is just a different version of the same mistake. You'll be best served by keeping a steady and strong pace. Otherwise, you are pushing the opportunity for more business and higher profits further into the future. Put another way, here's the conversation the CEO needs to have with the ERP planning team:

Team: "If we do this, we can add \$5,000 a week to our bottom line. But we may want to do additional research before we decide."

CEO: "How long do you want?"

Team: "Three weeks should be plenty"

CEO: "Is three weeks worth \$15,000? Because that's how much we lose by waiting to decide."

Get Started Right:

- ★ **Define clearly what the team is to do**, and in particular how they will know when they're done.
- ★ **Scope the project** to involve no more than 2 hours a day (average) for a period of time not to exceed 60 days (30 days, if you don't have to re-design your current processes).
- ★ **Establish a clear process and timetable** for deciding once your team brings you a recommendation. That will add meaning to any deadlines they have.

4

Pick the right team for the job. Hint: it's not your core management team, at least not the whole team. In particular, select the right leader, someone that has the power (and experience) to make decisions, someone with an open mind to view all perspectives and not eliminate new and innovative approaches, someone who can effectively manage both processes and people that are not directly under their supervision, and someone who has the ear (and respect) of top management (if they are not already part of top management).

Have a "big tent" approach to team selection: find people from a wide range of levels and functions within the company. Include a representative from every unit that will be directly or indirectly impacted by the ERP system; for example, shipping as well as production, purchasing as well as engineering, sales as well as finance. And perhaps most importantly, include end-users – those people who will frequently interact with the system. They can often provide a more practical perspective than any other member of the team.

If your team does not have ERP experience, recruit someone who does. An independent consultant can help the team define needs and match them to vendors' solutions. Moreover, experienced consultants know the "inside" info: which vendors tend to overpromise and under-deliver, what extra is really worth paying for, what feature is almost never used, etc.

Get Started Right:

- ★ **Rather than a fixed budget**, give the team a broad benchmark for the project: "the ERP system must have an ROI of under X months (or years)."
- « **Don't make this a "stealth" project**...let everyone know what's going on. You may get some surprising volunteers.
- ★ **Welcome differences of opinion**; you will end up with a better system.
- ★ **Set an aggressive schedule** that allows debate but doesn't fall into the "paralysis by analysis" trap.

5

Walk the thin line between tomorrow and yesterday. "Tomorrow" being the exciting but potentially unrealized promises of next-generation ERP systems and "yesterday" being legacy systems with proprietary design, a lock-in mentality, and little ability to adapt to your unique circumstances.

On one hand, newer systems incorporate innovative technologies and processes that pose exhilarating possibilities. But will you use them? And at what additional cost?

On the other hand, older systems may handcuff your flexibility and be costly to maintain. Adding new capabilities to old systems may be as costly as starting over.

Your best bet: a modular system that has proven reliability in the core ERP capabilities, but is designed to seamlessly – and inexpensively – add new features.

Get Started Right:

- ★ **Keep vendor names out** of early discussions... the team's earliest efforts need to be focused on problems and solutions.
- ★ **Assign a team member** to find, evaluate and distribute white papers, case studies, technical articles and similar information.
- ★ **Separate ERP capabilities** into three categories: 1) must have, 2) beneficial, but not essential, and 3) fancy, but not particularly useful for us.

6

Don't try to take all subjectivity out of the purchase. Many companies have a closed-door, locked-down purchasing process where the goal is to make a "mathematically justified" decision. But such efforts tend to ignore critical values – like vendor fit, trust and comfort -- that can make or break the project. Moreover, a lock-down process can eliminate the possibility that an inspired vendor can uncover issues you may not have thought about and offer an innovative and valuable approach or solution. A purchasing process that works well for copy paper – or insurance – is likely to deliver a less-than-best ERP solution.

Get Started Right:

- ★ **Pay attention to "soft" needs** beyond your ERP hardware/software budget that can leverage your investment; for example:
 - The ability to post production data on an extranet where customers can access it.
 - Scanners for automated data entry in receiving, manufacturing and shipping.
- ★ **Don't negotiate on price;** negotiate on net value "lift." A vendor may recommend an implementation process that raises your total ERP package cost by 10%, but it actually shrinks the ROI by four months. Higher price... much higher value.
- ★ **Ask about "performance pricing."** You might be surprised by what you hear back from the vendor. Regardless, their responses can be illuminating.

7

Communicate, communicate, communicate. When major manufacturers go through a process like this they have a slice of the project dedicated to "journey management." That's a fancy way of saying "we've got to keep everyone in the loop" and it is just as important in smaller companies.

Communication helps everyone – especially those not involved directly in the evaluation and decision-making process – understand what's happening and when, keep the process on track, and generate the buy-in necessary to make the ultimate implementation successful. Be sure to recognize that employees will be concerned about "how this is going to affect my job." And remember, effective communication requires a listening component: to collect and assess feedback, and – if necessary – make mid-course corrections to the project.

Effective journey management starts before the team is selected and lasts until after the system is up and running.

Get Started Right:

- ★ **Consider using a "traffic light" system** for communicating status:
 - Green for on-time activities.
 - Yellow for those that are behind, but can catch up.
 - Red for tasks that are so far behind that they will eventually push back the entire timetable.
- ★ **Err on the side of too much communication.** Change – especially change of this scale – can be intimidating and the absence of information tends to feed the grapevine with corrosive rumors.
- ★ **Tell the bad news, too.** They know what's happening, so editing the company line costs management hard-won credibility.

More often than not, companies of any size adopt a "fire, ready, aim" approach to ERP solutions by specifying the vendor first, then hoping... somehow... that everything will balance out in the end. While it's good for the chosen vendor, it may not be for the manufacturer. And the loss of marketplace momentum that results from misdirected, stop-and-start implementations can be staggering over the long term. Your best chance to avoid that is to use the time between deciding to get an ERP system and deciding on an ERP system to your own advantage.

ERP Selection Case Study

Miljoco Corporation

Warren, MI

Challenge:

Based in Southeastern Michigan, Miljoco Corporation is an international manufacturer of temperature and pressure instruments used in the refrigeration, food service, commercial heating, ventilating and air-conditioning (HVAC), and processing industries. Miljoco gauges and thermometers are installed by original equipment manufacturers and mechanical contractors on products such as refrigerated cases, boilers, compressors, burners, chillers and food-holding cabinets.

With 35 people in its headquarters and manufacturing facility in Detroit, and 55 more at a plant in Shanghai, China – and with more than 1,500 customers around the world – Miljoco’s management knew it needed an Enterprise Resource Management (ERP) system to manage the increasing complexity and still remain competitive in a market that stretched across the globe. But they could not afford a misstep; the speed of business would overwhelm their small staff if an ERP implementation went awry.

Approach:

Long before they even starting thinking about ERP vendors, Miljoco’s management polled their leadership team to determine if they had in-house experience to manage an ERP implementation. Fortunately, the company’s head of marketing & sales had ERP implementation experience and was able to take the tactical lead for the project.

Miljoco then convened a team composed of senior management and representatives from every department that would be directly impacted by an ERP system: sales, manufacturing, engineering, production & logistics, finance. Over multiple meetings, the team created a list of features they wanted in an ERP system. The features were divided into “Must haves” and “Nice to haves.” To qualify for the “must have” list, features either:

- ★ Provided measurable cost savings, or
- ★ Would enable the company to keep growing and still serve customers at a competitive level of support.

The team then boiled down their work into a four-page brief on how Miljoco was currently doing business, a list of internal processes and system that needed fixing before any ERP application was implemented, and a prioritized list of needed ERP capabilities.

Miljoco then took the package to their CPA and business advisor, a firm that has an in-house IT assistance unit. Their unit researched available ERP systems for companies the size and scope of Miljoco, and provided a list of four finalists that could match needs and prices.

To assess the candidate ERP packages, Miljoco selected four staffers that would be key users of the new system. Every prospective vendor demonstrated their product and answered questions from the team. Once the vendor demos were complete, the team met to make its choice. The recommendation to management was unanimous: the Infor ERP VISUAL Manufacturing Software system.



Implementation:

After the decision, that same team of four future users built the datasets that would drive the new ERP system. The datasets were complex and extensive: 25,000 stock-keeping units (SKUs) the company sells, 15,000 SKUs they make, 5,000 components from more than 300 vendors, and, of course, detailed records from 1,500 customers. The only data that was readily available from the legacy system included some details about customer records. Most of the new data was built from scratch and often from paper records.

At the same time, the team was documenting all of the company processes – and fixing the less efficient ones – so they could be translated into business rules for the VISUAL application. An implementation specialist from Infor partner BizTech supported the data and process tasks to ensure they would fit seamlessly into the ERP system.

When the team neared their launch date, they set up a pilot database and began processing dummy transactions to test every component of the system. The pilot ran so well that the company decided on a “big-bang” cutover, and shut down the old systems. Commenting on the decision, Miljoco president Howard Trerice said, “If you’re not confident enough to not run two systems parallel, you’re not ready and you shouldn’t launch.”

At the end of the first month, the results validated their decision: while they had to chase down a few errors, everything tied together in the month-end reports. “The exceptions were small and routine, and have not repeated since fixing them,” Trerice added.

While Miljoco planned to run the system for six months without considering changes, they have already added a shipping interface with UPS that eliminates the potential for expensive shipping errors.

The next big goal is to realize full cost savings on the promise of reduced inventory through better materials sourcing and management. “Our original projections indicated that we could pay for the entire ERP implementation in reduced inventory alone,” Trerice said. “It will take months to rationalize our existing inventory, but early results are promising.”





Together With You

Your organization will benefit from our team's commitment and hands-on experience. You'll gain a competitive advantage with a manufacturing software solution that delivers end-to-end functionality, low cost of ownership and ease-of-use to meet the complex needs of your manufacturing business. You'll agree that the combination of Infor ERP VISUAL and the BizTech Team is the right choice.

Your solution choices include:

- ★ Business & ERP Software Systems
- ★ Implementation Planning
- ★ End-User Training
- ★ Best Practice Consulting
- ★ Data Conversion & Importing
- ★ Version Upgrades & Migrations
- ★ Custom Programming
- ★ Disaster Recovery & Business Continuity
- ★ Virtual Workplace
- ★ Computer Network Support

About BizTech

Founded in 1999, Business Technical Consulting, LLC (BizTech) is dedicated to providing complete Enterprise Resource Planning (ERP) and Information Technology (IT) solutions that deliver long-term benefits to small and mid-sized manufacturing companies.

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The BizTech Team has one simple goal: to partner with your company in a joint effort to improve your business processes and increase your profitability.

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**BizTech is your single-source
Enterprise Resource Planning
(ERP) software provider.**

With strategic technology solutions and a seasoned implementation team, your company will benefit from centralized accountability, a simplified project plan and the most efficient implementation of Infor ERP VISUAL.