All The Right ERP Questions

By Jay Deakins – September 2, 2009

Integrated enterprise resource planning (ERP) software is the backbone of your business, as it handles everything from lab management to invoicing. So selecting and implementing an ERP system is a big decision and significant investment for any specialty chemical manufacturing company. The system you choose will determine how well your company can operate and generate profits. That's why it's so important to thoroughly research and vet potential vendors and systems before making a final selection.

Your initial research, based on the needs of your company and industry, should help you generate a list of prospective vendors with whom to schedule online demonstrations — Internet-based meetings in which a vendor walks you through their system and demonstrates how their system will handle your unique requirements. Online demonstrations are an important step in the ERP decision-making process. They help you narrow your vendor candidate pool to the few top choices, from which you'll ultimately choose an ERP system.

Below are the top five questions you should ask during an initial online demonstration. The vendor's answers will make clear the company's qualifications, if and how their system can handle your needs, and what that will mean to your business – helping you gather the information necessary to decide whether the vendor should make the cut.

1. Can your software integrate all my business processes in one system?
Managing your business can be complicated if you use a different software system to handle each of your processes, such as accounting, production, and inventory. You can't drill down through your data or post transactions in real time. It's difficult to update systems. And you have to deal with multiple vendors and adapt to differing system layouts and structures.

Truly integrated ERP software, however, seamlessly links all your business processes in one system. Some of the advantages of an integrated ERP package include:

- Simplified research and reporting. With all your data in one place, you can manipulate information easily to create reports of your choosing. You can report on sales rankings, short-shipped purchase orders, and aged inventory by virtually any criteria. From these reports, you can drill down to the transactional details.
- Single-system updates. When two systems are connected, there are usually custom programs, or bridges, created to pass data between them. If one of

your vendors updates one system, you need to update the bridge, as well, to prevent system conflicts and data errors. But with a single, unified system, you avoid this time-consuming process and the IT support necessary to manage updates for multiple systems.
- Improved vendor management. Using one system means you don't have to worry about keeping track of which vendor to call when your production system or accounting program has a problem. You also won't get stuck in the middle of vendor finger-pointing from system conflicts. With one system, you've got one vendor – one company to call on when you've got a question or issue.
- Simplified training. One system also means one consistent "look and feel" throughout the application. Working with a single design structure makes system navigation easy, and it expedites the training process.

By discussing whether an ERP system will require additional systems or IT support early in your software search, you'll be better prepared to handle any related time, labor, and budget demands.

2. Does your system need to be customized? Customized software is software programmed specifically for your organization, making it unique to you. Configurable software, on the other hand, is designed to handle a variety of different requirements right out of the box, without alterations to the basic programming code. Your long-term use of a system will hinge on these differences.

Customized software can be difficult to maintain because, by altering your vendor's base system, you're essentially "getting off the boat." None of your vendor's other customers have systems just like yours. So whenever your vendor releases new versions and updates, your individual system will need additional testing and rewriting to make the changes compatible with your program and keep your raft running parallel to the vendor's ship.

Some vendors like this arrangement because it gives them a continuous stream of revenue, right from your pocket. Then, when your system diverges far enough from the main system to make IT support unprofitable for your vendor, they may stop supporting the customized program completely — leaving you behind to either support the software yourself, hire an outside IT team to support it, or purchase another packaged software solution.

With configurable ERP software, you stay on the boat. You have the ability to define fields within the system, such as naming conventions or pricing structures, without changes to the software code. Your system fits your needs, but it's also the same software being used by all of your vendor's customers. Therefore, your vendor can issue frequent software updates, and they're easy for you to manage.

Determining whether a software system needs to be customized will help you pinpoint costs related to customization and understand how much support will be required to maintain the system now and in the future.

3. How does your system address the points of pain unique to me and my

industry? Points of pain are the problems and limitations you and your employees face every day when working with your current software systems — the reasons you're searching for ERP software. Document these issues prior to your demonstration so you can have the vendor show you how their system will address them.

This will focus the discussion on functionality that's critical to your business operations, and steer it away from the "nice to have" bells and whistles that are unessential. After all, you wouldn't want to end up buying just any old truck because you like the paint color if what you really need is a desert mining vehicle.

For example, generating accurate labels and Certificates of Analysis can be challenging. When you're using one system for production and another for formulation, you end up using manual processes for documentation. So there's no process control and you're prone to workarounds.

For example, workers could get around the quality control (QC) testing process by creating shipping documents in an outside program and then recording QC results later. Then, if the worker typed the Ph of the shipment as 81 instead of 8.1, the shipment may be returned, creating a bottleneck in your production. Ultimately your customer may question your company's integrity and move on to another manufacturer.

But if the vendor's system lets you establish standing QC parameters in advance, and then requires you to enter a shipment's values before it generates any documentation, you avoid those problems. It forces the process. You'd have to test all shipments first, and the system would alert you that a Ph of 81 is outside the acceptable range.

Every company has different points of pain depending on their size, business structure, and current software systems. It's critical to articulate clearly the particular issues your company faces and find out as early as possible during the software search whether the system is the desert mining vehicle you need, or just a truck with a good paint color.

4. Do you have customers like me in my industry? Now that you've covered your points of pain, find out if the vendor has dealt with similar situations with other chemical manufacturing customers. Request two or three references from those companies.

If the vendor works with businesses like yours, they'll understand industry fundamentals that you may take for granted, but other vendors might overlook. If you purchase raw materials from companies in kilograms and gallons, work in pounds and pints, and sell to companies that require liters. You'll need a system that accommodates multiple units of measure and conversions.

Contacting references in your industry also is a good opportunity to find to compare similarities in points of pain with an industry colleague. You can find out how a system resolves your points of pain, like QC testing and label generation. Is it an

improvement for the company? How so?

Don’t forget to ask about what it’s like to work with the vendor in general. Some other good questions to ask include:

- What was the software implementation process like? Did the software vendor define and adhere to the process and ensure your satisfaction every step of the way?
- How long is the average response time for support calls? How frequent are updates to the system?
- If you could go back in time, would you make the same vendor choice? Why or why not?

This question will not only prove if the vendor’s system works well for your industry, but it also will reveal if the vendors’ customers are satisfied, which can help predict your level of satisfaction with the vendor.

5. Is your price guaranteed? Now that you’ve got a stronger understanding of the vendor’s system, and the vendor has a better idea of your company’s needs and issues, it’s time to talk dollars and cents. You want to find out if the vendor’s price is guaranteed.

A guaranteed price takes into account the complexity of your project *before* the license agreement is signed. You receive a flat rate for the system, implementation, training, data conversion, and support. If your vendor realizes, halfway through the implementation, that your data conversion is much more complex than originally thought, it won’t cost you a penny more.

The alternative is an open-ended pricing structure. In this case, the price is generally based on the cost of the system and the number of users, plus cost *estimates* for data conversion, implementation, training, and any required customization or add-ons. That leaves your original price tag susceptible to swelling if your data conversion process gets complicated, or you hit some other implementation snag, and the project takes a few extra months to complete. If you’re halfway through implementation, and your vendor is asking for another $1 million, do you shell it out or call it quits?

Finding out whether a vendor’s price is guaranteed will help you compare apples-to-apples when making your software decision. It also helps you better understand the actual costs related to licensing and maintaining a new ERP system.

Demo Advice Together, these five questions will give you a solid grasp of the vendor’s system so you can decide whether to move that vendor to the top of your list or drop them off the bottom. But remember, the online demonstration is the perfect time to get all the answers you need — so don’t hesitate to add questions of your own to maximize the time spent during the demonstration. Thorough research and review now means a better decision in the end, giving you the best software system for your business.

Jay Deakins is the president of Deacom Inc., the producer of an integrated accounting and ERP software system for specialty chemical manufacturers with hard-to-handle requirements. For more information, contact Deakins at info@deacom.net [1] *or visit www.deacom.net* [2].

Source URL (retrieved on *08/01/2014 - 10:08pm*):
http://www.chem.info/news/2009/09/all-right-erp-questions?qt-most_popular=1

Links:
[1] mailto:info@deacom.net
[2] http://www.deacom.net/