

Walking Through the Maze

A guide to selecting the right software the first time around

by

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Introduction

When you decide to buy a new car, the first thing you consider is NOT the color of the car, but rather, why you need a new car in the first place. Are you looking for a little sports car to run around in, or do you need a family car to haul the kids to their extracurricular activities? Is the clunker no longer reliable because you cannot count on it getting you to your destination on time or even getting you there at all?



What do I need? That is what you think about when looking for a new car. Be it a used car or brand new model off the lot. You make a list of the features you must



Do I really need a Gluten Free Car?

have and a list of the features you would like to have. Do you need a city car, one you use to drive back and forth to work every day? Do you need a car that gets good gas mileage? Do you drive long distances and would like a built in navigation system? Are there things you don't need or want in the car you plan to purchase?

So it is when you start looking around for ERP software. First you must decide why you need a new ERP solution. What are the business needs that are driving the search for new software? What are your "Must Haves"? And what are your "Like to Haves"?

In this eBook, we provide a guide to finding the right ERP solution the first time around.

Chapter 1

Getting Ready

Take a step back and take a good look at your business. Before you start your software search, you need to know where you've been, where you are now, and have a good idea of where you want to go with your business in the future.

All businesses are dynamic, they are never standing still. Whether we like it or not, businesses deal with change all the time. We are either looking for new customers or working hard to keep our old ones or most likely, we are doing both.

What do you need and why do you need it? That is the number one question you should ask yourself. What are the pressing business issues that you are attempting to address with the purchase of a new ERP solution?

You have money coming in, but you are not making a profit. Demand is down because you cannot meet your customers' required delivery date. New sales are slow because you cannot respond fast enough to a potential customer's request for a quote.



What are YOUR business issues that you are struggling with? Will purchasing a new ERP solution help you resolve these challenges?

Once you have identified the critical business issues that are driving your software search, take the time to review your internal procedures around these issues. What are the functional areas that are affected? Who is responsible for the functional area? What is going right and what needs to be improved?

The individual responsible for this area should become a key member of your software search team. More about creating a software search team later.

Do you have written procedures? Are they being followed? Do they need to be revised to reflect what is really happening?

If you don't have written procedures, now is a great time to get started. Get the key employees in this area to take part in defining and writing up the procedures.

What are the steps they follow to get the job done? How does the work come to them? What happens when they finish their part in the process? Where does it go from there? Are there different areas of responsibility or approval required before a particular step can start or be completed?



During this process did you uncover other business issues that need to be addressed?

Are there new “Must Haves” and “Like to Haves”?

Knowing what you do and how you do it is important. Written procedures are one of the key success elements in selecting the right software the first time around.

Chapter 2

Building the Team

Don't go it alone. You need to create a search team to help define the "Must Haves" and the "Like to Haves". This is critical to the ultimate success of your software search.

When determining who should make up your selection team, there are a couple of important dynamics to keep in mind. First, no one team member should dominate; and second, the individual team members must be open and able to work together.



Select one individual from each of the functional areas of your business. They can be department heads, managers, or a hard working employee who is respected by their peers.

They will be the key individuals who will become the team leaders when it comes to implementing the software you finally select.

Because they were part of the decision process, they have an ownership stake in the software selected. They will be willing to put in the extra time it takes to implement a new software solution.

So who should be on your software selection team? Select wisely. They will become your partners in this endeavor.

Chapter 3

Make a List and Check it Twice

It is time to write down your “Must Haves” and your “Like to Haves”. Don’t forget to leave out the “Don’t Want” or “Don’t Need”.

First identify your functional areas. For example: Financial Management, Sales Management, Supply Chain Management, Planning and Scheduling, Project Management, Customer Relationship Management, and so on. Be sure to include all of the functional areas in your business.



Once you have identified all the functional areas, you are ready to define your “Must Haves” for each area. When you have completed your “Must Haves” lists, review the lists and validate that the “Must Haves” provide the answer to the business issues that are the reason for the software search in the first place. If they are not, then they become “Like to Haves”.

Next review the list of “Like to Haves”. How do these “Like to Haves” relate to the business issues you have defined? If they don’t, remove them. Or, should you include some of these to the “Must Haves” list?

Finally, there may be some functions you do not need today but would like to have available in the future. Be sure to identify these functions as “Future” on your check list. For example, you may not need to take credit cards today but may want to take them in the future. You want to be sure that the software you select has that capability today even though you do not need or want it at this time.

Remember, keep your list simple. Use your time wisely. Don’t be distracted by looking for features and or functions you don’t need or want.

Chapter 4

How Much is This Going to Cost?

The first question is not how much is this going to cost me. It is rather, how much is it costing me to do nothing?

Let's put some dollars with the business issues that are the reason for the software search. Are you paying expediting fees because you don't have enough stock or the right stock to fulfill customer orders? Are you paying penalties because you cannot ship out customer orders on time? Are you losing money because you cannot get a handle on your costs to manufacture goods?



What are your areas of concern? Put a dollar value on each problem area. That is the cost of doing nothing. It is also one of the costs you will include in determining how long it will take for the new software solution to pay for itself.

That's the first step in preparing a budget.

Now let's look at how the cost of the software is determined. First of all, remember who owns the software. Not you! You are purchasing a license to use the software.

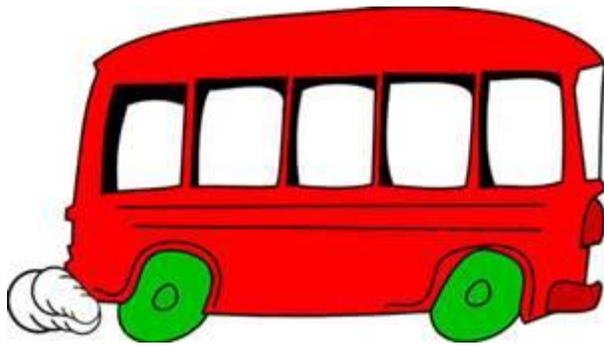
Software licensing can be a bit confusing. As far as you are concerned, you need to know who can access the software, can the software reside on more than one server, and does the license have to be renewed on an annual basis.

With a Perpetual License users will have access to the software forever. There will be an annual maintenance/support fee associated with the perpetual license.

However, if you do not pay the annual maintenance/support fee, you will still be able to use the application. You simply will not be able to get support if you find a "bug", or get the free updates and upgrades. (more about this later).

Or the other hand, with an Annual License, the software license must be renewed each year. That means if you don't pay your annual license fee, you will no longer have access to the software application.

The next thing to consider is how the license allows users to access the software. The "Named User" license specifically identifies the individual users who are the only ones who can access the software. A "Concurrent User" license is based upon the number of users who can access the software at any given time.



An easy to understand example of the difference between these two license models is to consider a bus which has 10 seats. With a Named user license only those individuals whose name appears on the bus driver's list can get on the bus. The Concurrent user license limits the number that can be on the bus at any

given time. The first 10 individuals in the line can get on the bus. No one else can get on the bus until someone gets off.

Finally, software applications are typically licensed for a single server or PC. If you want to have a second copy of the software residing on a separate server for testing purposes or for business continuity, you must discuss this with the vendor before you buy to determine if there will be an additional cost.

Chapter 5

Deployment - Where is the Software?

Do you want the software to be installed on your servers in your facility? Or would you rather let someone else handle the day to day management of the servers, application updates, backups, and all the other tasks to keep the system up and running?

If you already have the IT staff, servers and infrastructure in place that are capable of running the new ERP solution, you may choose an “On Premise” installation.



On the other hand, if your existing hardware and infrastructure are not capable of supporting your new ERP solution, rather than adding the cost of new hardware and other infrastructure improvements, you may decide to move to the Cloud.

Over the years, we have seen ERP applications move from the Main Frame era to Mini Computers and finally to a network of PC's in Client/Server configurations. As the capabilities of the PC Servers have grown, so has the sophistication of the software that runs on them.

We have moved from the green screen to desktops, laptops, tablets, and even cell phones to access and manipulate data. We have moved from running miles of wires under the floor or over head to wireless offices, warehouses, and factories. The infrastructure continues to change to keep up with the advancing computing technology.

Dell, HP, Lenovo and other hardware vendors continue the drive to provide more computing power, more memory, and faster access to data and to do it for less. As a result the servers have become more powerful and more complex to manage. In today's client/server environment, software vendors are taking advantage of the

hardware improvements and are placing more and more demand on the server to do the heavy lifting in processing data. The client receives information at the Desktop, Tablet, or phone in real time.

As a result, you and your employees are able to access data from practically anywhere in the world, at any time, and on any device. You are no longer tied to an office or desk to do your company's business.



If you are doing business out of multiple locations or want to be able to access data remotely, then you should seriously consider a Cloud option. If however, you have a single location and the ability to access data remotely is not critical to your business, then the On-Premise option may be for you.

In either case you must understand the hardware and infrastructure requirements for the software solution you select. And then determine if you have the personnel to manage the hardware in house or if you will outsource the task to others.

As you can see, finding the right software is more than satisfying a list of requirements. It also includes licensing and deployment decisions. And we are not done yet.

Chapter 6

Annual Maintenance Fees

Why do I need to pay an annual maintenance fee? What does it cover? Is it like purchasing an extended warranty agreement on an appliance?



In some instances, it is simply called an annual license fee. In this case, the software will stop working at the end of the year unless you get a new key from the supplier of the software.

If the software you purchased is sold with a perpetual license, the annual fee will cover support, updates and upgrades to the software. If you choose not to renew the annual maintenance agreement, you may still use the software, but you are no longer able to get support, updates to the software or upgrade to the next release.

To keep your car running smoothly you take it in to the shop for regular service based on the manufacturer's recommendations. Changing the oil, replacing the spark plugs, replacing filters and so on are all part of keeping the car in tip top shape.

In a similar way the annual maintenance you pay for the software you purchased provides the tune up and updates to the application to keep it running smoothly and the upgrades provide the latest add-on's to meet the challenges in an ever changing world.

Should you consider paying the annual maintenance? Definitely! This is the best way to protect your software investment.

Typically the Annual Maintenance is based upon 20% of the cost of the software.

Chapter 7

Last But Not Least

When talking to a potential client about the importance of the installation and implementation of software, I used the example of purchasing a very expensive piece of equipment.

“You would not think about bringing in an expensive CNC machine and not having the manufacturer or his rep make sure it was installed correctly.”

“And you would not just turn it on and tell your employee to start using it without first having the training on how properly use the machine.” Their response was, “Not the second time around, we wouldn’t”!



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Don’t skimp on the installation and implementation services. You have made a large purchase. You want to make sure that you can use it effectively.

The biggest causes for failure of a major software selection are not setting up the application correctly and not properly training employees in its use.

You should expect to pay between 1 to 1.5 times the cost of the software for the installation and implementation services.

Implementations are really a partnership with you, your team and the vendor who all must work together to get the maximum value out of the software you purchase.

Chapter 8

The Search

Once you have your ducks in a row, you are ready to begin your search. The software comes in all shapes and sizes. Which one is right for you?

Decide how you will conduct your software search. Identify the steps in your search. Set dates to start and end each step.

Do some research on the internet. Which software vendors sell to companies like yours? Do you belong to a trade association? Talk with others in your business. What are they using? Are they happy with their decision?

Schedule a 15 minute phone consultation with the sales rep and product expert for a number of ERP vendors. This will give you additional insight into the vendor and their solution. Next narrow your search to 3 to 5 ERP solutions that best meet your business needs.

Contact the vendors on your short list to schedule a presentation and product demonstration. You should expect the vendor to request to meet with you ahead of time to learn more about your business needs. If they don't ask for a discovery visit before their demo, consider dropping them from your short list. They should want to know as much as possible about your business so they can address your specific business needs during their presentation.

Be prepared for the vendor presentation. Review your list of "Must Haves", "Like to Haves" "Future Needs" ahead of time. Share your "Must Haves" and "Like to Haves" and "Future Needs" with the vendor beforehand so they can address these items during their presentation. Be sure you understand how the vendor's solution addresses your business needs.



Chapter 9

Putting it all together

There are five (5) important areas you should consider when evaluating the ERP solutions you will eventually select.



First, does the software provide the functionality you require to address your business needs? Is it intuitive and easy to use? Does it address all of your “Must Haves”? How about your “Like to Haves” and “Future Needs”?

Second, is the company financially sound? Are they profitable? How long have they been in business?

How many customers are using the software solution you are evaluating? What percentage of their existing customers renew their maintenance year after year? What percentage of their revenue is reinvested into R&D? How many employees do they have? How many of these employees are in development? How many employees are in customer support?

Third, how is the software put together? This is a technology question. Is the software a collection of third party products that have been put together to make a complete solution? Or, are there a limited number of third party products added to the base solution to provide for specific tasks like EDI, or eCommerce? A strong base with a limited number of third party add-ons is the better solution.

How easy is it to modify a report or data entry screen? Do modifications require changing the source code? (If the answer to this question is yes, this is a major problem you will want to avoid). Can you access the data over the internet?

What type of hardware is required to run the application? What are the infrastructure requirements? Can the application run in the Cloud, On Premise, or both?

Fourth, Implementation and Support are key to a successful software installation. Who are the people who will be working with you and your team to install and implement the software solution? How long have they been working with this solution? What is their industry experience? How will they work with your team to implement the solution and train your staff in its use? Is the implementation and training done at your location or at the vendor office or training facility?

What are the hours you can call for support? Where are the support staff located? How familiar is the support staff with the product? What is the average wait time when calling support? Is support available on-line?

When was the last major upgrade to this software application? How often do the major upgrades come out?

And Fifth, what is the total cost of ownership? There is the cost of the software,



annual maintenance, hardware, installation and implementation. Is there an on-going cost associated with using the software?

How long will it take for the software to pay for itself (ROI)? The ROI is based on the savings you will gain in all areas you defined in

chapter 1 (the cost of doing nothing). Take the total cost of the software, hardware, etc. and divide it by “the cost of doing nothing”. This will give you the length of time it will take to break even.

As an example, let’s suppose you decided the “cost of doing nothing” was \$15,000/month. The total cost of ownership is \$450,000. Break Even Point = $\$450,000 / \$15,000$ or 30 months. The system will pay for itself in 2.5 years.

You may find that there are additional savings you will gain in production, cost savings, increased sales, etc. that will decrease the Break Even Point even further.

Chapter 10

Payment Options

There are a number of payment options available to you. You can purchase the software license outright, select a leasing option*, look for financing options from the vendor or pay a monthly fee.

If you selected the Cloud deployment option, you have a couple of choices here.

One cloud option is to purchase the software license and have the application Hosted by a third party. In that case you can purchase the software license outright, look to a third party leasing company or finance the software license with the vendor. You will also have a monthly hosting fee you will pay directly to the company hosting the application. This fee will depend upon the hosting services you chose.



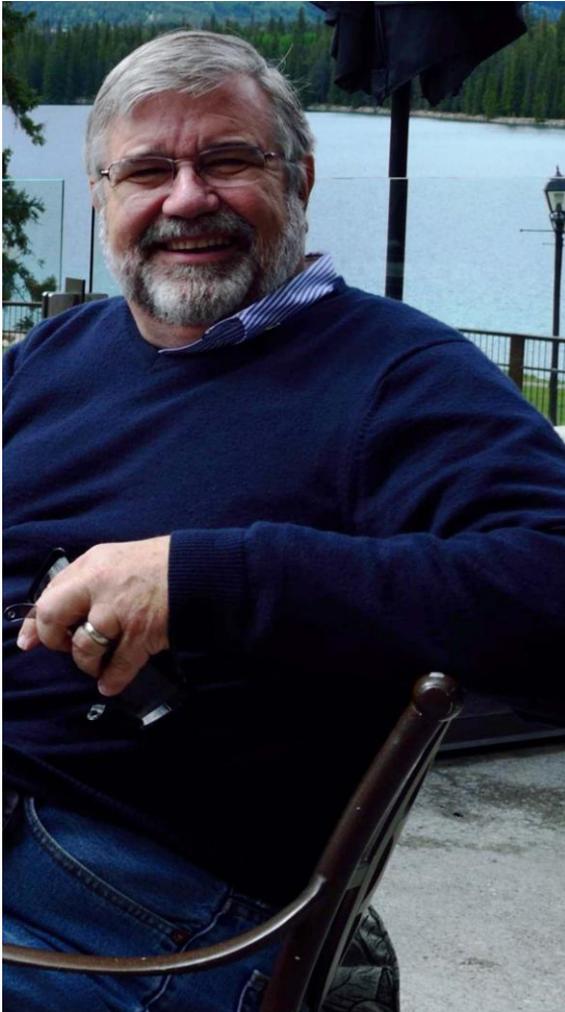
If you choose the other Cloud option, Software as a Service (SaaS), you can expect to have a 12, 24, or 36 month contract to use the software. There is a monthly fee based upon the number of users and the software modules you have selected. The benefits of the SaaS deployment option is the subject of a future eBook.

If you selected the On Premise deployment option, you can choose to purchase the software license outright, look to a third party leasing company or finance the software license with the vendor.

*Many leasing companies will allow you to roll in the cost of the software license, infrastructure upgrades including servers, client workstations, etc, and the cost of the implementation. Payments can be spread over a 12 to 60 months period with a buyout at the end of the lease.

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After 11 years in education including teaching math at the junior high school and a junior college levels and a junior high school principal, Michael began to design and write software applications for the insurance industry at the start of the PC revolution for a small startup in Texas.

He joined Electronic Data Systems (EDS) and added application implementation and training to his skill set.

In 1982 Michael joined his wife, Rosemary, and together they formed RAM Software Systems, Inc. as a professional consultancy designing custom applications for businesses large and small including NEC America and American Airlines.

Since the early 1990's, RAM has partnered with ERP software suppliers to provide solutions and services to discrete manufacturers with a focus on the Mid-Market.

Michael brings a wide breadth of experience working with small, mid-size, and multi-national corporations seeking to improve their businesses.

SPECIAL OFFER

Choosing the right software to fit your business is not a task to be taken lightly.

There are lots of choices and it is often difficult to tell the difference.

We can help you get it right!

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