ERP packages, if chosen correctly, implemented judiciously and used efficiently have the ability to raise productivity and profits dramatically. The book, ERP Demystified (Second Edition) by Alexis Leon helps decision-makers in choosing the ERP package that is best suited for their organisation.

So, you think that all ERP packages are the same? Think again, because they are not. Of the more than 50 ERP packages available, the features they offer vary, as do the technologies they support, the technologies they use, the architecture on which they are built and the available platforms. Each package has its own strengths and weaknesses. But the marketing literature from ERP vendors will give the impression that their product is just as good as any other. Such literature is valuable for giving the reader an overview of functionality and a glimpse at the differentiator for that vendor’s offering. But, if you compare the literature or listen to a vendor’s presentation, it would be very difficult to evaluate which package is the best or which would be most suitable for your organisation.

Deciding which package is suited to your organisation is a difficult task. If you go by what is written in the product brochure or what the salespeople say, you will find it very difficult to make a decision and might end up with the wrong choice. So package selection is something that should be done in a systematic and scientific manner.

The most important factor to keep in mind when analysing the different packages is that none of them are perfect. The idea that there is no perfect package needs to be understood by everyone in the decision-making team.
upon, new functions were introduced, good ideas were copied from others, and so on. But still each package has an origin that determines the type of business it is best suited for. So while making the analysis, it is a good idea to investigate the origins of the different packages.

So, after the decision to go in for an ERP package is taken, the company needs to develop the selection criteria that will permit evaluation of all the available packages on the same scale. To choose the best system, the company should identify the system that meets the business needs, matches the business profile, and identifies with the business practices of the company. It is impossible to get a system that will perform, exactly as the company does business, but the aim should be to get the system that has the least number of differences.

### The selection process

Once you have decided to implement the ERP system, you have to find a package that is best suited for you. The selection process is one of the most important phases of the ERP implementation because the package that you select will decide the success or failure of the project. Since ERP systems involve huge investment, once a package is purchased, it is not an easy task to switch to another one. So it is a ‘do it right the first time’ proposition. The consequences of choosing a wrong package are catastrophic, often forcing the company to close shop.

There are many ERP packages available in the market. Analysing all the packages before reaching a decision is not a viable solution. So, it is better to limit the number of packages that are evaluated to less than five. It is always better to do a thorough and detailed evaluation of a small number of packages, than to do a superficial analysis of dozens of packages.

The company should do a pre-evaluation screening to limit the number of packages that are to be evaluated by the committee. Since all packages are not equal, the pre-evaluation process should eliminate those packages that are not at all suitable for the company’s business processes. One can select the few best packages by looking at the product literature of the vendors, getting help from the external consultants and, most importantly, finding out what package is used by similar companies. It is always better to look around to find out how the different packages are performing in environments similar to yours. Once you select a few packages after the screening, you can call the respective vendors for presentations/demos.

### The selection committee

It is always better to form a selection or evaluation committee that will do the evaluation process. This committee should comprise of people from the various departments (the functional experts), top management (preferably the CIO or COO), consultants (package experts) and end-users. This team can provide the different perspectives and can ensure that the needs of all stakeholders are addressed.

The selection committee should be entrusted with the task of choosing a package for the company. Since all business functions are represented and the management is involved, the package that is selected will have company-wide acceptance. The package experts or the consultants can act as mediators or play the role of explaining the pros and cons of each package.

### Handling the vendors

Once you make a decision to go in for an ERP package, the marketing executives of the different vendors will swamp you. Each will have colourful and excellently produced brochures and presentations claiming that their product is the best one for you. They will use all the tricks to get you hooked. So it is better that you have a strategy for dealing with these vendors.

Since you have done a detailed evaluation of the few packages that meet your pre-selection criteria, you can be prepared for the vendor presentations. This point is being stressed again and again because most vendors can make presentations that leave potential users dazzled. The selection may thus end up being based on a set of factors that are insufficient for arriving at a well-informed and judicious decision.

So, instead of just listening to presentations, you should be prepared with your questions. The questions should be prepared beforehand and should address all your concerns. The responses that you get for your questions will help you in either eliminating a vendor or strengthening its case. The questions, if properly
prepared and asked will expose the weak/problem areas that exists in the vendors’ products. Also, when you are asking questions, it means that you are not taking anything for granted. It is a good idea to prepare the minutes of the meeting and make the vendors sign it. This will prevent them from making false claims and you can make them accountable if they fail to deliver what they have promised.

The vendors should be asked to show testimonials and practical demonstrations of the system. The vendor should provide references of organisations where the system has been implemented successfully. But all vendors will have customers for whom their products have failed. In my opinion, getting those names and the reasons for the failure is more important than the success stories. Also, in my experience, while vendor representatives are well prepared for the success stories, the questions about failed implementations usually reveal points and issues that the vendor is trying to downplay. So it is important to ask about failed implementations.

The vendor will usually send two representatives to visit you—a marketing agent and a technical expert. Most of your questions should be directed to the technical expert. The marketing expert should be asked about warranties, licenses, cost, support, training, etc., whereas, the technical expert should be asked about the functionality and capabilities of the system they are offering.

**The role of technology**

The existing technology will play a very important role in the ERP selection process. Each organisation will have its own technological environment. The management must decide whether the ERP systems will be selected keeping in mind the existing infrastructure or not. It is always a better idea to find a package that is compatible with the hardware, software and technology that the company already has in place. If the organisation has the necessary infrastructure then it can think of buying the required components from the vendors and integrating them with the existing system. For example, if an organisation is using an HR management system and is quite satisfied with it, then it can go in for the other modules and not for the complete offering from the vendor.

It is not imperative that all the components offered by the vendor be bought. The evaluation committee in association with the vendor can select the required components and then integrate them with the existing infrastructure. But here, do not forget to get the vendor’s assurance (in writing) that the existing system will integrate smoothly and seamlessly with the purchased components.

**The selection criteria**

ERP packages come in all sizes and shapes, with all the frills, bells and whistles, gizmos and gadgets that you can imagine. Hence, it is a good practice to specify selection criteria for evaluating the packages that survive the pre-evaluation screening. The criteria can be in the form of a questionnaire and a point system can be implemented. This will help in making the selection process more objective. The questions should address the company’s business needs and concerns and each issue or question should be given a weight according to how critical that function is for the company. For example, if the company has offices in different countries, then the capability of handling multiple languages and currencies becomes an important criterion. Likewise the selection criteria should be divided into categories—vital, essential and desirable—and points should be given to each criterion. The point rating system will simplify the evaluation process. But the importance of human intuition, gut feeling, and judgment should never be underestimated.

The best method for preparing the selection criteria is to conduct a requirements analysis—find out what the company needs. The requirements must reflect those factors that the company considers indispensable for the successful running of the business according to the company’s work culture and practices. Given below are some examples of the selection criteria.

- The package should have multi-language and multi-currency support.
- The package should be international and should have installations in specified countries (basically in countries where the company have offices). The vendor should also have a local presence in those countries.
- The package should have at least ‘x’ number of installations out of which at least ‘y’ should be in your business sector.
- The cost of the package with all the necessary modules should be less than ‘x’ Rupees.
- The package should have the facility to do an incremental module addition. For example, the company should have the facility to buy the core modules initially and then go for the additional modules as and when desired.

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Also, while vendor representatives are well prepared for the success stories, the questions about failed implementations usually reveal points and issues that the vendor is trying to downplay. So it is important to ask about failed implementations.
The vendor should provide implementation and post implementation support.

The vendor should give a commitment on training the company employees on the package.

The package should have the capability of interfacing with other systems that the company is dealing with—banks, suppliers, customers, etc.

The package must be customisable and the customisation process should be easy (something that could be done in-house)

The vendor’s policy and practices regarding updates, versions, etc, should be acceptable.

In this way, the issues, concerns and expectations that the company has, regarding the package, can be consolidated and made into a list. Then the items in the list should be placed into the ‘vital-essential-desirable’ categories. Then, using this list each package should be evaluated. Many items in the list will have descriptive answers. The committee should sit together and analyse these issues and assign points to these items.

One important thing that should be kept in mind is that whenever a decision is made, the committee should discuss it and a consensus must be reached to ensure commitment and avoid conflicts. The functional experts (who know the business process well) and vendor representatives (who know the ERP package well) can tell areas and issues that should be given more importance, the aspects that should be scrutinised more thoroughly and how the company’s current business practices could be replaced with new ones or modified to suit the package.

Another source from which the evaluation committee can get information about the tools is independent research agencies and companies. These sources supply information, comprehensive analyses and comparison reports about the leading tools. But these reports, although excellent sources of information and a single-point reference about the leading ERP systems, are not totally unbiased, completely accurate and totally objective and therefore, should not be taken as gospel truth. But these reports can provide valuable information about the tools. So, at least a few reports by these research groups should be studied along with the vendor’s literature so that you get a complete picture of the ERP system marketplace. These reports analyse and compare the tools and their features, predict market trends, forecast the position of the different players in the coming years, and so on.

A number of companies and consultants do this kind of analysis. Prominent among them are AMR Research (www.amresearch.com), Forrester Research (www.forrester.com), Gartner Group (www.gartner.com) The International Data Corporation (www.idc.com), The Butler Group (www.butlergroup.com), Ovum (www.ovum.com), VNU (www.vnu.com), etc. Sometimes trade magazines like CIO, HBR, Forbes, Fortune, etc, publish articles about ERP and its current state. This information is also worth looking into because it is independent and not biased.

Once the committee has evaluated all the packages that have cleared the pre-evaluation criteria, listened to the vendor presentations and demos, and have cleared pending issues, a decision is reached on which package to buy.

Once the committee has reached a decision on a package, it is a good idea to visit a few companies that have installed the particular package and see it in action. But many people will not admit that they have made a mistake, so whatever the existing owners say about a package should be taken with a pinch of salt. But visiting 4 or 5 installations should give a good idea about the package. If the committee members feel that their decision is right and what they have thought is what they have seen, then the company can proceed with the purchasing and implementation.

If anybody is uneasy about some aspect or feels that the product is not up to the expected standard, then the committee members should sit and discuss this again and perhaps do the analysis once again. The package that has got the maximum score in the point rating system need not necessarily be the one that is best suited for the company. The extra time spent on analysis and evaluation is not a waste; it might save the company from a potential disaster.

Finally...

One final word, the most critical factor that determines the success of any ERP implementation is the support of the people who use the system. Even the best ERP systems will fail if there is no user support. So the decision of the committee should be a consensus decision. If there are some people whose views are overridden by majority vote, then the management should take every effort to make them understand the reasons for the decisions and should spare no effort to win them over. Disagreements are common in any group discussion, but the success of the group lies in the fact that all the people in the group own the decisions that are made. Thus, since the group as a whole makes the choice, everybody emerges as a winner. This feeling is very important, as the company will need everyone’s goodwill and support to achieve success during and after implementation.

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