Avoiding Costly Mistakes When Purchasing ERP Software

"The heart and the brain are vital organs in the human body. If you require surgery on one of these organs, would you interview three surgeons ...and then select the cheapest?"

Business automation is an involved and demanding process. Whether it includes accounting, distribution, or manufacturing, it affects all areas within a business. Not all business software is created equal. Moreover, selecting the right solution makes the difference between success and failure.

Over the past 10 years, automated solutions have become more sophisticated and complex. Few businesses have the time, staff or expertise to stay current on the technology—let alone select and implement these solutions without the assistance of an outside consulting organization. To maximize an organization's productivity, a professional and methodical ERP solution provider can make a vital difference.

The heart and brain are vital organs in the human body. If you required surgery on one of these organs, would you interview three doctors—and then select the cheapest? Business automation is a vital part of any organization's productivity and success.

Selecting an ERP solution provider based upon price is equivalent to selecting the cheapest surgeon. In the long run, the cost of a poor solution is substantially more expensive than doing it right the first time. It is critical that you measure price in terms of a firm's knowledge, experience, professionalism and the depth of their resources.

According to CPA on line, a reputable market research firm of Deloitte & Touche conducted a survey covering businesses looking for an ERP system. In the survey, the companies were asked to rate the 10 most important factors that influenced their decision each time they made a software selection.

For the replacement purchase, the most important criteria were focused on the solution provider and software vendor, compared with price and ease of implementation on the initial purchase. The companies had learned an expensive lesson. Anyone can promise, but few can actually deliver! Businesses that were buying their first accounting system were tallied separately from businesses buying their second. Then Deloitte & Touche ranked the results in order of importance, summarizing them as follows:

First-Time Buyers

Rank Reason

1. **Price of Software**
2. Ease of Implementation
3. Ease of Use
4. Ability to fit to business
5. Functionality
6. Ability to work with existing hardware
7. Growth potential
8. **Level of support provided by reseller**
9. Quality of documentation
10. Developer's track record of performance

Second-Time Buyers

Rank Reason

1. **Level of support provided by reseller**
2. Developer's track record of performance
3. Ability to fit to business
4. Growth potential
5. **Price of Software**
6. Quality of documentation
7. Functionality
8. Ease of Use
9. Ease of Implementation
10. Ability to work with existing hardware

As you can see above, it's all about support, support and more support! Business automation is a complex matter. To that extent, it will affect your business operation for the next five to 10 years. If all costs are considered, including the amortized cost of your employee's time over five years, an implementation project can cost from $15,000 to $2 million and up. Considering the size of the investment, it is amazing how many businesses never take the time to ensure they are making the right decision. Of course, some businesses will always focus on cost no matter what any survey says. If you must, then when comparing prices between ERP solution providers, you must be certain to compare "apples with apples". There are large gray areas in proposals that make direct comparisons difficult.

- ✓ Break down the list of functionality and get a clear picture of which functionality is available or missing from different ERP vendors.

- ✓ Break down proposals cost to hardware, software, installation, training, support, conversion and customization. Get to a common denominator and compare components equally.

- ✓ When comparing hardware, networking and multi-user solutions, list the components side-by-side. Make sure you understand exactly what you're getting for your money.

- ✓ Don't focus on the total cost of any given item, instead analyze the total cost Project. Some vendors charge less on some items and more on others. Focus on the total delivered cost.

The cost of services is much harder to compare. Are you concerned with the cost of a doctor performing surgery or his expertise and successes? Evaluate a firm's breadth of service, expertise, professionalism and references as part of the cost equation.

Summary Conclusion

Business automation is an involved and demanding process that will affect all areas within your business for the next five to 10 years. Selecting the right ERP solution provider will make the difference between a successful business automation system that enhances all your business processes or a system that fails and leaves you with an expensive nightmare. Selecting the right ERP solution provider is more important than selecting the right hardware, operating system and application software. In the study above, you would think that second time buyers would in general be "smarter" if for no other reason than they have the experience that first time buyers do not. Therefore, it makes sense that their rankings would be a better guide for those researching accounting system options. Therefore, here are the key points that surface:

- ✓ The important role that a quality local consultant plays is much more apparent to firms in their second go around with a new system.

- ✓ The Developers record of accomplishment is much more important than first time buyers think since it jumps in importance from dead last to second in importance.

- ✓ Price of Software drops from the prime reason to the middle of the pack reflecting that price, although important, is not the end all.

  ➢ *Source: Deloitte & Touche Study as quoted by CPA Online*