

# Selecting an ERP Package

## Where's the Crux?

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ERP ... with NO Expiration Date™



## **Selecting an ERP package: Where's the Crux?**

The selection process is the most important step towards an effective system for an organization's Enterprise Resource Planning (ERP). However, for many companies and organizations this process is characterized by wrong prioritization. This is the reason these companies often choose a solution that works best for them in their current situation, but is unable to keep pace with the future situation. The consequence: Within 5 to 8 years, the whole process has to be repeated. The main cause of this failure is the fact that many organizations are not sufficiently capable of identifying what they exactly need and demand from a package.

The selection procedure for ERP software is frequently performed less thoroughly than it should: Research from The Wall Street Journal found that 73 percent of the companies that were investigated are not satisfied with their current ERP system. In most cases this dissatisfaction stems from wrong choices in the selection process. Standish Group International research shows that for as many as 80 percent of the software implementation and change projects the requirements were not defined sufficiently. Organizations will have to be able to clearly identify these requirements. For this they should not only consider the current requirements, but certainly the future requirements as well.

### **Changing markets**

Today's business world is completely different from the world of twenty years ago. Many businesses operate in a dynamic market where economic cycles that used to last 7 years now only last several months. Reorganizations, mergers, acquisitions and de-mergers take place more frequently and companies often no longer only compete on the local, regional or national market, but in many cases also on the global market. On the whole, this means that companies have to be able to react more quickly than before and this has several consequences.

Change and growth usually entail fundamental developments. New business models will arise, which will dramatically alter the way organizations are used to doing business. In such a situation the flexibility of IT systems and the ability to react to these kinds of changes even after implementation are becoming more and more important. The same is true for solutions in the ERP field. This is why especially these aspects should form the key selection criteria for an ERP system.

### **Selection criteria**

In the selection process that precedes the purchase of an ERP system, the functionalities that are essential in the organization's processes should be identified. The new solution has to provide these functionalities. To do this, an organization should have people on key positions draw up detailed scenarios which stress the critical company processes that the ERP system has to be suited to.

This way the selection of a new ERP system becomes a purely business driven initiative. Because many divisions within an organization are involved in ERP, the selection of the right solution cannot only be based on IT criteria such as functionality and technology.

### **Other priority**

It is, however, not enough to find a solution that is suited to the existing company processes. In a dynamic market three aspects are developing rapidly: the information requirements; the processes; and the structure of the organization itself. Successful changes within an organization are impossible without underlying systems that are capable of keeping pace with changes in these three aspects.

This flexibility after the implementation, or *post-implementation agility*, becomes larger as the three elements mentioned are interwoven more closely. Changes to the organizational structure for example (e.g. reorganization) affect the other two areas automatically and vice versa. This way new company scenarios can be implemented within several hours, days or weeks instead of months or even years. As a fast growing and changing organization you avoid outgrowing the selected ERP system within a short period of time by prioritizing flexibility after implementation instead of functionality, during the selection process.

### **External advice**

During the selection process many companies call in external consultants to help them make the right choice. Calling in help is understandable, because most people responsible for selecting a new ERP package only have to do this once or twice in their entire career. It is not like buying a car, where you know what to look for after a while. An external consultant usually knows what aspects an organization has to take into account when purchasing a new system. The added value of an external consultant can be quite substantial because of the consultant's knowledge. However, there is a conflict between a company's interests and those of a consultancy agency and/or software vendor. The latter are not very interested in having their clients select a solution that can be easily adapted to changing circumstances after the implementation, especially not when it is relatively easy for companies to perform these changes themselves. In this case a consultancy agency does not have much added value after the selection process and the client hardly needs any more advice when the selection process is finished.

### **Own responsibility**

Therefore, the policy makers should take responsibility for selecting a solution that can be adapted to the developments in their fast-changing organization. This means that they have to stress *post-implementation agility* when they ask advice from an external consultant. Precisely this step can make the difference between success or failure.

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