



White Paper

The 5 point plan to ERP selection success

Think differently about what you need and who you purchase it from

Why you need a new system: Figuring out your business drivers

These days, an ERP system is a necessity—not a luxury. You need a system that helps you operate and manage your business. But what else do you need it to do?

Former Gartner analyst Lee Wylie introduced Enterprise Resource Planning to the world in 1990. Over its 21 year history, ERP software has undergone a significant transformation. While the early systems were purchased and used primarily for financial applications, order management, purchasing, and manufacturing, today's systems are designed for broad use across your company.

The leading ERP systems included business intelligence and performance management software built into the applications so that you can track your company's performance across critical business metrics. Newer systems also include applications for supply chain management, customer relationship management, human capital management, product lifecycle management, enterprise asset management, and expense management.

If your system dates back to the last century, you likely paid a lot of money for customization and integration that tied your hands when it came time to upgrade your systems. As a result, you've lost out on at least a decade's worth of functionality.

Likewise, your industry has also changed since your last ERP demo. Your business processes have no doubt evolved, and you're more connected than ever to your customers, suppliers, and other trading partners.

In any case, a lot has happened in computer and storage price-performance since you were last in the market for a new business system.

Your first step in figuring out what you want is determining what your challenges are and what your business needs to do better.

The current economic condition poses a significant challenge for your company, if you're like most manufacturers. In fact, according to a recent Aberdeen Group study, companies of all sizes ranked economic conditions as a major challenge.¹

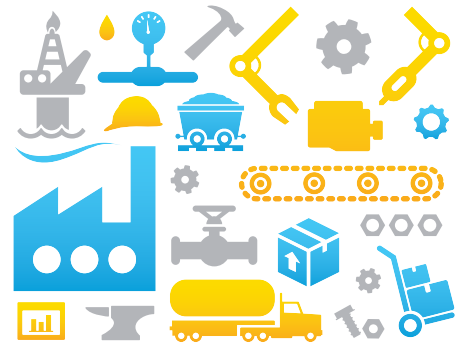


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¹ Aberdeen Group, Kevin Prouty and Nick Castellina, "ERP in Manufacturing 2011: Defining the Strategy," July 2011, p.5.

Challenges in 2011 (ranked 1-5, with 1 as least)

Business challenges	Small	Midsize	Large
Economic conditions	3.2	3.1	3.2
Increased competition	3.0	3.0	3.1
Ability to execute strategy	2.9	3.1	3.1
Market volume	2.9	2.9	3.0
Lack of brand equity/awareness	3.2	2.4	2.2
Rising operating costs	2.6	2.9	3.0

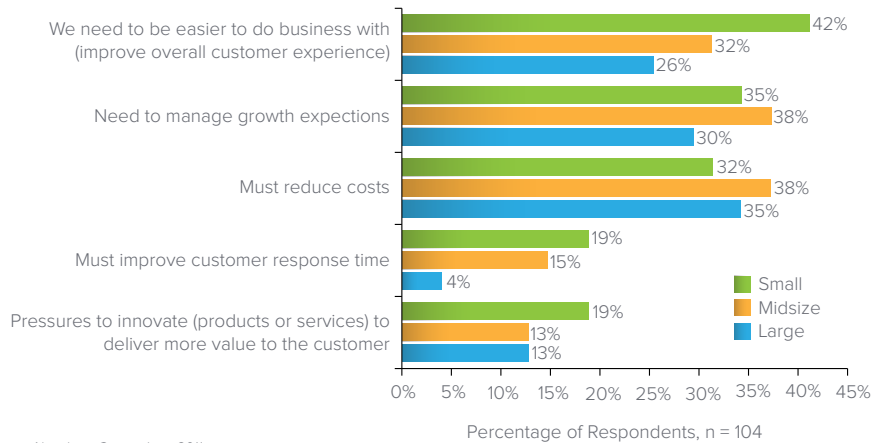
Source: Aberdeen Group, April 2011

For the purposes of this study, Aberdeen defines smaller companies as those with under \$50 million in annual revenue; midsized companies as those with \$50 million to \$1 billion in revenue; and large as those with over \$1 billion in revenue.

How does that translate to your business drivers? For many companies, this comes down to positioning the company for growth—and having systems that can scale to keep up. For others, it’s about cost or improving the overall customer experience and being easier to do business with.

According to that Aberdeen Group study, “Large- and medium-sized companies look to their ERP system to manage and drive their cost position, while laying the foundation for growth. Smaller companies look to ERP to also manage the same, but with a higher priority on the customer experience.”²

“Top Two” Business Drivers Impacting ERP Strategies



Source: Aberdeen Group, June 2011

Some other business drivers to consider:

- The speed at which you do business—Can your systems keep up with the pace of change in your industry? Are your business processes flexible enough to adapt as your business grows and changes?

² Aberdeen Group, July 2011, p.5.

- Decision making— Can you get the information you need, when you need it, to make a timely decision?
- Access to data—Can you access all your data, no matter where it's stored?
- Better flexibility—Can you easily upgrade or add to your software when you need to? Can your software scale to meet your company's growing needs?
- More productivity—Is your software easy to use, or do your workers spend more time fighting with your systems than focusing on their key tasks?
- Complexity—Do you have to manage complex products, supply chains, and sales channels, while dealing with volatile customer demand? According to IDC Manufacturing Insights, complexity is set to increase in many business areas and success will come from managing these complexities better than the competition and with an eye for customer fulfillment.³

Whatever your key concerns, the right ERP system can help by:

- Streamlining, accelerating, and standardizing business processes
- Providing better visibility and intelligence across the organization and along the value chain
- Providing better access to and unifying data
- Improving process flow

What do you want to accomplish: Establishing your ERP strategy

Once you've identified your key business drivers, you need to figure out what it is you want to accomplish. What will be your key initiatives and what do you need from your ERP system in order to deliver against your business goals?

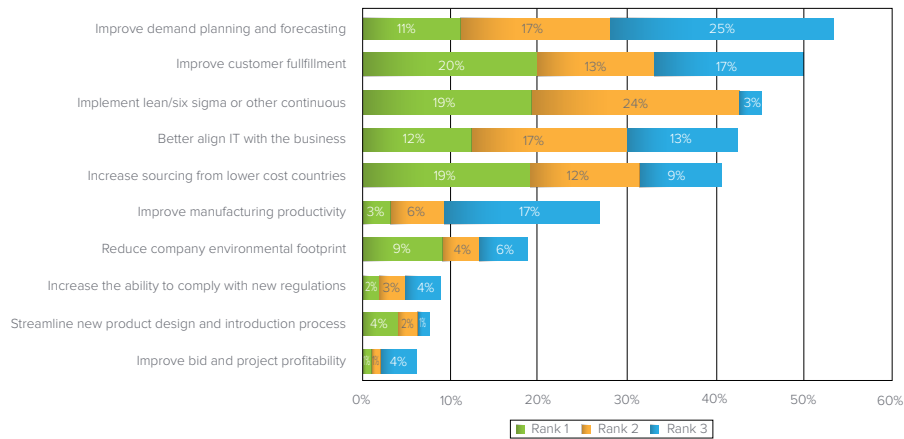
Many companies make the mistake of trying to solve business problems with software. Software is not a part of this step. Develop a list of what you want your company to achieve, not features of the software. In other words, avoid creating a list working from the bottom up, with items such as the need to email a PO to a vendor, or the need for a report that tells who didn't clock in today.

So, what is it that you want to achieve; what are your goals? Listing these has a more far reaching effect, and involves training employees and streamlining business processes that can transform your culture and increase profitability.

After you've listed your goals, list your initiatives. What are you going to do to meet your goals? IDC lists out initiatives identified in their 2011 survey. In this survey, 53% of respondents ranked making improvements in demand planning and forecasting among their top three priorities, while 42% of those who responded identified a better alignment between the business and IT.⁴

³ IDC Manufacturing Insights, Pierfrancesco Manenti, "In pursuit of operational excellence: accelerating business change through next generation ERP," January 2012.

⁴ IDC Manufacturing Insights



Interestingly, in IDC’s study, where the prime driver or strategy was growth, initiatives were centered on an investment in product innovation and delivering value added services. Where it was centered on cost, the focus was on shortening the supply chain and reducing the number of suppliers.

In comparison, a recent MPI Group study found that the most important operations objectives among manufacturers were to contain/reduce production costs (59% of respondents cited it as “highly important”) and contain/reduce purchasing costs (51%). A majority of manufacturers—76%—reported that increasing employee productivity was either “highly important” or very important.⁵

On the supply chain front, the MPI Group study found that the most important objectives for manufacturers were “improve the cash-to-cash cycle” (24% of participants rated this as highly important), or “improve forecasting” (23%).⁶

Once you’ve established your achievements, it’s time to rank them by priority. Select the top three to five items that your company needs to achieve. You may need to determine some metrics around these initiatives to increase your focus.

This may not yet include software, but it is a focused vision for your company.

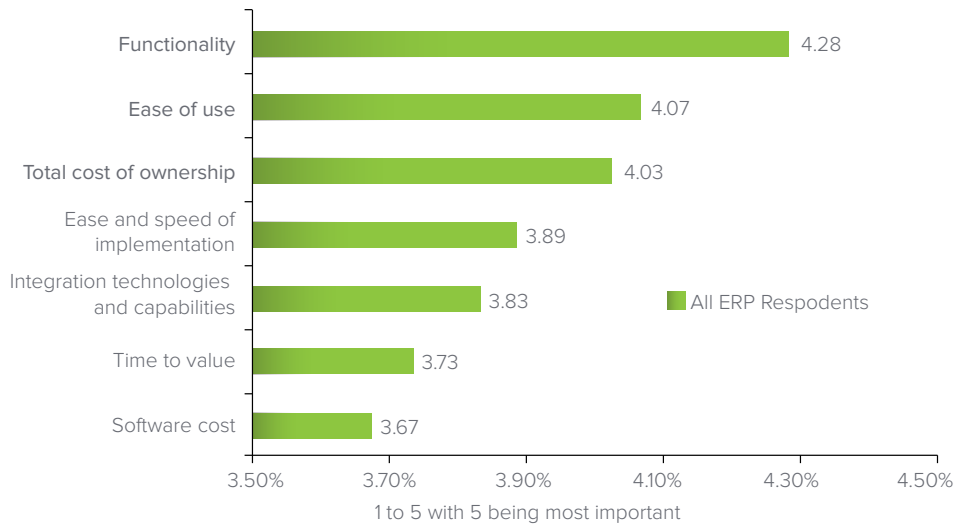
Then ask yourself if the business leaders in your company—the people who will ultimately have sign-off on your decision—agree with your vision? If they do not agree, either convince them of your wisdom so that they do agree, or change the list. It is vital to get buy-in from these business leaders because choosing an ERP system is a business decision—not just an IT choice. Remember, that list contains your goals. You will judge all software packages on how well they will help you achieve these goals.

⁵ The MPI Group, “Manufacturing Growth Study Executive Summary: Strategies for Recovery and Renewal in 2010 and Beyond,” 2010, p. 4.

⁶ MPI Group, p. 7.

By creating a vision, you have achieved something a vast majority of search teams have not: You have goals. As implausible as that sounds, it's often true. Usually companies (or the consultants they hire) create long lists of items that the software must do. The items are grouped by function (order entry, shipping, etc.) and then graded by level of importance (must have, nice to have, etc.). These lists don't replace the fundamental need for goals, and may create more noise and confusion, not clarity.

Figure 2: Top Selection Criteria for ERP



What you need from your software: Determining your priorities

Selecting and implementing an ERP system is a major, expensive project. While your business needs should drive your selection, you obviously must focus on the technology as well. It doesn't matter how carefully you've strategized and mapped out your processes, if the software you select can't deliver what you need. Get it wrong and this will only act as a further barrier to achieving your goals. For example, IDC's recent research shows that 34% of manufacturers surveyed ranked ineffective or inadequate IT systems as the top barrier to achieving operational excellence.⁷

Modern ERP systems offer functionality that spans business functions, such as manufacturing operations, finance, customer relationship management, human capital management, supply chain management, and so on. With that in mind, you need to focus on your business drivers and look for differentiators among the various ERP offerings. Some factors to consider include: functionality, ease of use, business fit, industry fit, integration with your existing systems, and deployment options.

According to an Aberdeen Group study, functionality and ease of use are the two most important selection criteria for manufacturers choosing an ERP system.⁸

⁷ IDC Manufacturing Insights.

⁸ Aberdeen Group, ERP Much Better Off With than Without, January 2011, p.6

Functionality—Old-school ERP systems were traditionally transactional in nature and focused around financial management—general ledger, accounts receivable, and the like. Today, however, manufacturers have a new set of requirements; they need ERP systems to be more operational and better equipped to serve the entire enterprise. Your ERP system needs to foster a decision making environment and be flexible enough to match your business processes—not force you to change your processes to meet the way the system operates. And, it needs to be able to adequately serve your entire enterprise—and scale as your company grows and evolves.

Customization is a large part of the functionality equation. Can the system do what you need it to do right out of the box, or will your vendor (or consultants) need to customize it to provide the functionality you need? If you have to modify the source code to meet your needs, you're looking at a greater investment in money, time, and support. And, customization can impact your system's ability to be easily upgraded down the line.

Ask yourself: Can this ERP system address all the business processes we need to streamline? Is it the right size and shape for our business? Can it grow with our business? Does it do all that right out of the box, or will we need to invest in customizations?

Ease of use—Your ERP system may have all the power in the world, but if your users can't figure out how to get their jobs done, it's useless. Your ERP system needs to match the way you do business—putting information from all the systems that run your business at the fingertips of your users. Presented in a way that makes sense to them, and that doesn't force them to toggle between disparate screens, log in to disparate systems over and over again, and waste time digging just to get what they need.

Ask yourself: Does this ERP system work in a way that makes sense for my organization? Does it present information and functionality clearly and concisely, when and where we need it in order to make timely, smart decisions?

Business fit—Your ERP system needs to fit your business. Not the other way around. Discrete manufacturers have different needs and processes than process manufacturers. Your ERP system needs to support your way of manufacturing. If you're an engineer-to-order manufacturer, you'll want a system with strong project management functionality, so you can manage the bid process straight through to end product, with a keen focus on managing cost. Similarly, if you've implemented Lean manufacturing principles, you'll want a system that provides real time alerts to further your JIT processes.

Ask yourself: Does this ERP system support the way my company works? Does it support our manufacturing processes and focuses?

Industry fit—A pharmaceutical manufacturer has little in common with an automotive manufacturer. Their sales, production, supply, and accounting requirements couldn't be more different. Their ERP systems need to acknowledge, accommodate, and cater to those differences.

Ask yourself: Does this ERP system offer industry-specific capabilities to support the best practices and regulations of my industry?

Integration—Your ERP system needs to connect to other systems and to the specialized applications you need to support your differentiating business processes. Whether those critical business systems reside within the four walls of your plant, in a remote location, or in your primary supplier's facility on another continent, you need them to seamlessly connect and communicate to keep data flowing smoothly.

Ask yourself: Can this ERP system communicate with all the disparate data sources in my extended supply chain? Does it run on a platform that's compatible with the platforms we're already using?

Deployment options—Deploying an ERP system no longer has to mean running the software strictly on premises. Modern ERP systems give you more deployment options than ever. If you have a strong IT department that can manage upgrades and data security, you may want to go with a strictly on-premises model. If you're looking to cut your start up costs and get up-and-running more quickly, you might want to consider an on-demand/software-as-a-service (SaaS) or cloud deployment model. In that model, you license the software from your vendor for a flat, per user rate. The vendor provides data center management, the hardware, upgrades, and all of the support.

While most ERP customers are not ready to move their most mission-critical data to the cloud, Infor® is seeing demand from three types of customers:

- **Very small companies:** For example, one of our first cloud ERP companies is a small biotech firm. Rather than invest in servers, infrastructure, and IT specialists, they subscribe to our software for a modest monthly fee. They are taking the cash they would have spent and are using it to add more scientists.
- **Larger companies looking for lower cost solutions for supporting distant sites or new acquisitions:** One CIO at a well-known US manufacturer is running one of our competitor's products across his company. His firm just bought a new company with relatively small plants in six countries. He thought about extending his existing ERP system to the new sites, but didn't like the price or the need to add costly data centers and hire new IT people to support it. Instead, he turned to Infor for a more cost-effective cloud solution.
- **True believers:** While it's a small group today, we are working with some manufacturers who see cloud as the future and only want to run their applications that way.

If you decide to run your ERP system in the cloud, you need to do your homework. Just because the software can run centrally at a third-party site, you still need a vendor that has a local presence anywhere you have people using the software. Some would-be buyers found out the hard way that the small cloud vendor they picked could not support them in Latin America, Eastern Europe, or Asia-Pacific.

If you pick a partner like Infor, you're guaranteed to have global support—whether your ERP system is running in your own data center or we're supporting you through hosting or a subscription model. We can also tailor a hybrid solution that provides any combination you want.

Ask yourself: How can this ERP system be deployed? Is it flexible enough to move to the cloud, if we need to add more capacity quickly? Do on-premises and on demand/cloud versions of the system look and work the same? Can they communicate with each other? Does my vendor have a local presence where I have users?

What it will really cost you: Calculating the total cost of ownership

Much as we all like to think that money isn't a determining factor in our business choices, the fact is that cost matters. Greatly.

With that in mind, the big question becomes: What will an ERP system cost? The answer is: "it depends."

There are two types of costs to consider. The first is the initial purchase price. This includes all of the software, hardware, maintenance, training, and support services. The actual price for that will be based on the scope of your project, the size of your implementation, the geographic coverage, and other related factors.

The second cost to consider is: What it is going to cost you over the lifetime of the software? What is the total cost of ownership (TCO)? According to a survey by IDC Manufacturing Insights, manufacturers keep their ERP system for 10-15 years on average, so you're going to need it to grow with your business.⁹

Aberdeen defines TCO as a combination of implementation effort and cost; software cost; integration costs; and maintenance and support costs.¹⁰ TCO also includes your investment in people resources for implementation, integration, maintenance, and support.

Lowering the TCO is about more than lowering the initial buy-in price. It's about looking at ways to reduce the time and cost needed for implementation, training, support, and upgrades.

It's more than just cost, though. It's also about value. At Infor, we approach every software project with the same set of goals:

- How can we make your people more productive?
- How can we save you money?
- How can we improve your company's competitiveness?

These are the factors that will help you derive the greatest TCO from your ERP system.

Who do you turn to: Choosing the right vendor

Now that you've determined why you need an ERP system; what your strategy is for choosing the right system; what your software needs are; and what it's going to cost you, it's time to make perhaps the most crucial decision of them all: Who do you get that system from?

Most ERP systems should be able to meet your basic needs and provide the bulk of the functionality you're after. So, you need to dig deeper into the company you're working with, how it handles implementation, and what it does to help customers be successful long term. Take your time here and weigh all the factors: You're going to be "married" to your ERP vendor for a long time.

⁹ IDC Manufacturing Insights, Pierfranceso Manenti and Megan Dahlgren, "Beating complexity, achieving operational excellence," July 2010, p.16.

¹⁰ Aberdeen Group, ERP: Much Better off With than Without, p. 6.

The company you're working with

Your ERP system is a pricey piece of software that's going to be in use for a long time. So, you'll want to make sure the company you choose will be around to support it. Here, you'll want to look for financial soundness, organizational stability, and a track record of providing exceptional customer service.

Beyond those somewhat obvious characteristics, consider:

- **Vertical expertise**—Can this company provide references from customers within your industry? Within your vertical? Do they offer industry-specific best practices and processes, built in to the system?
- **Global/local presence**—Does this vendor do business in the locations where you do business? Do they offer a local presence where you need it? In the languages your company uses and the time zones where you operate?
- **Vision**—What is this vendor's technology vision? Are they looking to innovate in ways that could benefit your business?
- **R & D capabilities**—What is the investment into the enhancement and roadmap for the product you are looking to invest in?
- **Customer service**—How is the vendor's track record of customer service? Where do they rank on surveys? How many customers are repeat customers?
- **Credibility**—What do existing customers have to say about the vendor? Beyond those references, what is the word on the street—from review sites, social media networks, etc. Does this vendor have a good reputation?

Implementation ability

Your ERP system is only as good as its implementation. So, before you decide on a particular ERP system, carefully consider how a vendor will deliver and support your project.

There are a lot of factors that have to be considered when you're looking at the time required to implement a new system or upgrade to the newest release. A lot of them haven't changed since the first ERP implementations. We still have to look at the data quality of your existing systems, data migration from the legacy systems to the new ERP system, the skill levels of the people on your side of the implementation, the number of employees who will be using the software, the scope of the applications you'll be deploying, the locations where the software will be used, any integrations to third-party applications or systems, and any required customizations.

Having helped 70,000 customers go live around the world, Infor has become expert at estimating the length of the project. We also have one major advantage over our largest competitor: we're happy to do the implementation for you rather than asking you to pick a third party. We're working with you, so we have a greater interest in getting everything right.

All of that vast experience is embodied in our global Infor Implementation Methodology. The Infor Implementation Methodology is based on years of experience in refining and improving the phases and procedures that constitute implementation best practices, as well as Project Management Institute (PMI) and Project Management Body of Knowledge (PMBOK) standards.

In addition to pre-implementation and post-implementation procedures, it consists of five phases that are repeatable from customer to customer: initiate, design, build, deploy, and closure. Infor's professional consultants guide the entire process—from project kick-off, to creating a solution concept, to building the actual components, to production cut-over and go-live, and finally to formal handover of the solution. As a result, every implementation is completed on time and on budget.

We've also developed some very innovative tools and technologies for accelerating the implementation cycle. You may have heard about the Infor Enterprise Performance Accelerator Kit (EPAK)—a comprehensive software lifecycle solution. EPAK helps your employees adopt Infor's solutions faster, so you realize ROI faster. This complete simulation platform addresses pre-installation to post go-live requirements and is flexible enough to work within your organization's existing IT infrastructure.

Helping you to be successful

Don't forget to look beyond the initial sale and implementation when you're evaluating a vendor. Consider, too, how that vendor will support you after go-live. What tools and resources does that vendor provide to help you be successful, long term?

Innovative, proven technology can take your company to new heights. But companies don't succeed by technology alone. Especially in today's economy, smart companies understand that the right level of support is critical to the success of their entire organization. When issues arise, or updates become available, you want timely, skilled, professional support to keep your business moving.

Infor is committed to being an industry leader in the technical support industry. Toward that end, we launched a new support offering—Infor Xtreme Support. Infor Xtreme redefines support, far exceeding what customers expect from their software vendor. With Infor Xtreme, customers get specialized, personalized, proactive support to keep their critical business systems running at top speed, all the time.

Infor Xtreme Support includes an unlimited number of incidents, continuous online support through a portal that's available 24x7, and priority queuing based on the severity of an incident. It also offers three different levels of support— Xtreme, Xtreme Premium, and Xtreme Elite.

Plus, we offer online communities, so you can join a social network to communicate with your peers who have the same product, environment configuration, or industry challenges.

Infor is redefining ERP software—making it easier to implement, easier to use, and easier to manage. Let us help you find the right ERP system for your specific business needs. For more information, visit: www.infor.com/solutions/erp.



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