



WHITE PAPER

ERP Software Selection Myths

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ABSTRACT

This document provides an exploration of the myths behind the selection of enterprise software. These myths have been around since the dawn of enterprise software and are by-products from years of struggles between users and suppliers. Dispelled are several common beliefs when selecting an enterprise software product.

REALITY VERSUS FICTION

When Christopher Columbus was thinking of sailing west to reach the east, he had to overcome some disturbing myths of his time regarding distant off-shore sailing. These myths included ships being swallowed by sea monsters, getting entangled in vast islands of floating seaweed, the lack of off-shore winds, etc. Just like Christopher Columbus, you must get a grip on the difference between reality and fiction. Getting a grip will help to eliminate the intimidation and fear behind making difficult decisions. The same is true when companies set sail into the vast and complicated ocean of enterprise software selection. There are plenty of myths as well. Enterprise software includes ERP, SCM, CRM, WMS, PLM, etc. for all industries.

The intent of this document is to identify and dispel some of the myths surrounding the selection of enterprise software. These myths have been around since the dawn of enterprise software and are by-products from years of struggles between users and suppliers. It is important to understand these myths, because when you understand the difference between fiction and reality, you can make a more rational and balanced purchasing decision. The truth will free you from the entanglement created from years of rumors and misconceptions.

ENTERPRISE SOFTWARE SELECTION MYTHS

The following is a list of myths that have been passed around for years regarding the selection of enterprise software along with some thoughts to help dispel these misconceptions:

Myth 1: The more functionality the better

I will have to confess, I have assisted many clients into the functionality trap. Most companies start off looking for enterprise software products with vast functionality. You would think selecting an enterprise software product with a boatload of functionality would be a good decision, right? Not necessarily. In the past this seemed to be a good idea. But now with thousands of business processes, the products have grown out of control. We are now in the age of monolithic software. At one time we could get our arms around enterprise software and take ownership. This is not necessarily the case anymore. Software has become gigantic and complicated. Keep in mind, the more functionality, the larger the product and the more it will cost to own, operate, implement and maintain. Bigger software translates into bigger hardware, bigger staff and more effort to upgrade, patch and maintain. You must manage every line of code. The more code in the product, the more you will need to maintain. Therefore, if the decision is a monolithic product, prepare appropriately. Or, find one or more products to satisfy your specific needs. Several little products may work better than a serious overkill.

Myth 2: Bigger is better

A lot of companies are making the safe decision to purchase enterprise software from one of the top tier suppliers. Big software suppliers may seem safer, but not necessarily better. There is a dilemma to large software suppliers. It's the age-old question: "Do you want to be a big fish in a little pond or a little fish in a big pond?" The bigger the software supplier, the bigger the pond. Big ponds translate into less input to the product direction and functionality, an impersonal relationship, more people to deal with, difficulty in getting attention and the cost it takes to deal with all the red tape. On the other hand, there could be some real advantages when you are a large fish in a little pond. These considerations should be clearly understood up front before you make any purchasing decision.

Regardless of how much these big suppliers assure you, remember, you are just one of thousands. Trying to get attention on a critical problem with gigantic suppliers is like a mosquito on the back of a dinosaur. Unless the

owner is a good friend, plan on being treated like one of thousands.

When making an enterprise software selection decision, don't forget the little suppliers. They can bring some real value to the equation. And, it may just turn out to be a great relationship. Don't forget, all big software suppliers were small at one time. Someone took a chance when they were small long before they became big. Imagine being an early adopter of one of the big guys 20 years ago—now that would have been a great decision.

Myth 3: Get references from the software supplier

Believe it or not, getting references from a software supplier is really a myth. Yes, ignore all of the past articles you have read insisting that you must have at least 10 references before making a decision. I promise you, the only benefit you will gain from this effort is what we had during the cold war—mutually assured destruction.

Let me share a little secret with you. When I was in enterprise software sales, I would never, ever pass a reference to a prospect without personally making sure they were loyal and on-board. What do you expect from a reference with a gun to their head and a nose ring chained to the supplier—the truth? Don't misunderstand me, I am not suggesting references are dishonest, they are just overly loyal, blind-sided and would rather not dirty the water they swim in.

Another reason why references are a myth is due to the fact that most suppliers have had as many bad references about their competitors as they have good references for their own product. Suppliers might pass these bad references on to you. In a way, the good and bad references cancel each other out. So you end-up back where you started from—uncertain.

However, if you feel you really must talk to references, try finding them yourself through friends and associates. And, when you talk to a reference, ask the really tough questions, such as: *How much did you pay? Did you have to hire more technical employees? How long did it take to install? What's the response time like? How long did it take to implement? How much did you spend on implementation? How much of the software do you use? How large is your support staff? How many customizations have you done? How much time did it take to add additional functionality? How much effort does it take to upgrade? How many patches did you apply to get up and running? How many patches did you apply last month?* etc. If you trust your contact, you may get some really valuable information.

Myth 4: You should comply with software business processes

During the late 1980s there was a movement suggesting companies implement and comply with the business processes defined within the software product. Software suppliers claimed their business processes reflected best practices in the industry and insisting companies should comply in order to be successful. The idea was revolutionary at the time, and addressed the dilemma of in-flexible software, but eventually ended up with a couple of flaws. First, there are just too many business processes. Every implementation uncovered new and varying ways to automate business activities. Since most software today is basically rigid, these new business processes would be added, bringing us to the current monolithic products we find today. Second, excluding accounting functionality, companies really are unique. As much as software suppliers would like to you to believe the opposite, you cannot write a product (even a niche vertical product) which addresses all possible business scenarios. Also, companies are now starting to push back, stating the reason for their success is due to their unique business processes; therefore complying with fixed software functionality will only dull their competitive edge.

Myth 5: Select a supplier to reduce your risks

You would think it makes a lot of sense to select a software supplier and technology stack that will reduce your risks and be around for a long time to come. Selecting the biggest software supplier should be your safest bet, right? Well, before you stretch out and relax on the deck of the Titanic, just remember, safe decisions are not always the best decisions. Even the big ones can sink to the bottom. There are plenty of big software companies whose bones are now bleaching in the sun. I have been in the business long enough to see the rise and fall of many big software suppliers and technology stacks. It would take several pages to list all of these failed suppliers and technologies.

Selecting a big software supplier may reduce risk, but you pay dearly for it in the long run. Instead of staying awake at night worrying about the stability of your software supplier, now you've traded your anxiety wondering how you are going to pay for it. The only sure way to reduce software investment risk is to select a product and technology stack you can get your arms around and own if the supplier goes belly-up.

Instead of picking a safe supplier, spend your efforts on the software license agreement, making sure you have ownership or access to the source code if the supplier falls into financial difficulties. If the software supplier refuses to work with you on these concerns, the variance between the size of your company and the supplier is way too big.

Myth 6: Implement the enterprise software without any enhancements or customizations

Because of the rigid design of software and the complexity and cost to enhance and customize products, the trend seems to be generic implementations. Honestly, there is not a software product out there which has addressed every possible business activity and scenario. Don't believe the marketing hype. Out of the more than 50 companies I have implemented, only a couple did it without enhancements or customizations, and I am not talking about custom reports. I am talking about serious additions to the core applications in order to satisfy unique business processes. Your business is unique; this is what makes your company successful. You will have to enhance the software in order to get your unique functionality. The best you can do is try to seriously qualify and reduce these enhancements and develop them in a way to minimize disruptions to software upgrades.

specialists. The software industry is specializing as well, becoming more and more diverse and driving the diversity of software within a company. New software products are added each year to an already bloated array of options. The trend for some companies is towards a diverse software product environment. This is not by choice, but for survival. The trend towards software diversity is not going away anytime soon.

Figure 1 illustrates the trend towards multiple software products to satisfy the total software requirements within a company. I know the chart simplifies the situation, but still graphically illustrates the diversity trend understood by most companies. Back in the early days, usually one product and technology stack satisfied most of the automation requirements for a company. Today, multiple products are required to satisfy the total automation requirements for a company. Don't get me wrong, selecting a core, back-bone product is still necessary for your basic accounting, distribution and manufacturing requirements. I call this product a "Transaction Engine" because a backbone is required to enter and maintain

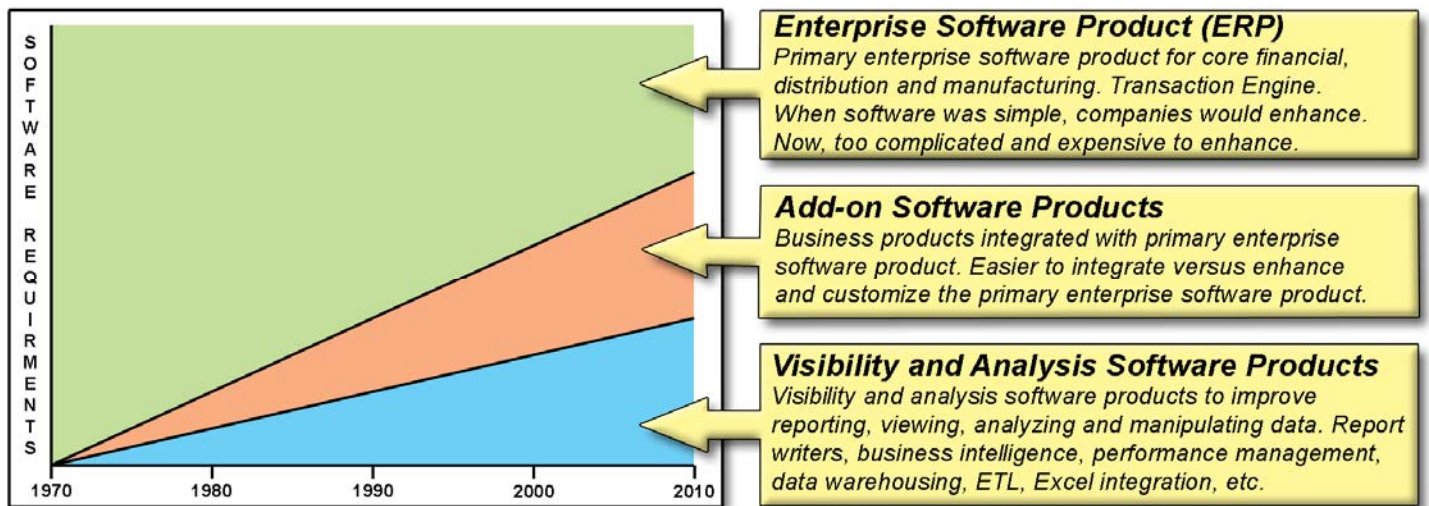


Figure 1: Enterprise Software Trends

Myth 7: One supplier for all functionality

You would think the idea of finding one software supplier to satisfy all of your technical requirements is an attractive approach, right? At one time this approach made a lot of sense and basically still does for some small businesses today. However, for medium and large companies, this philosophy is showing some flaws. I have learned through hard experience, software suppliers cannot be all things to all companies. Therefore, your best approach will be multiple software products from multiple suppliers.

your core accounting, distribution and manufacturing data. However, additional vertical products are often required to satisfy specific business needs like WMS, CRM, PLM, HR, Payroll, workflow, estimating, budgeting, pricing, forecasting, engineering, design, marketing, telephony, bar coding, RFID, etc. Also, data visibility and integration products might be required to satisfy reporting and data analysis needs such as reporting tools, spreadsheet integration, business intelligence, predictive analytics, corporate performance management (CPM), extract transform and load (ETL) and data warehousing.

Be aware, some enterprise software suppliers will try to quickly develop vertical or procure products to satisfy new demand in order to catch up and make an extra

buck. Be careful when considering these marketing pitches. I have seen a lot of companies buy inadequate and expensive vertical products and tools, just to remain loyal to one supplier or assume a product already integrated is better.

Yes, I know you're saying, but, isn't software integration worse? Not really, if you select the right enterprise software. Therefore, look for enterprise software that will lend itself to a diverse environment. Make sure the products are open and easy to integrate with other products. Look for open interfaces called "Application Programming Interfaces" (APIs) to all primary objects, such as customers, suppliers, items, employees, inventory transactions, financial transactions, etc. Also, make sure the integration process is simple and well documented. Select open databases with ODBC and JDBC connections for easy integration with other products. All I am saying is keep an open mind. Don't limit your options. I promise you, there isn't a software supplier out there who is good at everything. Besides, there are some really great products out there. Why not pick the best of breed?

It is important to keep software diversity in mind when selecting your enterprise software. Accept the reality that it may take multiple software suppliers to satisfy all of your automation requirements; plan on knitting a

beautiful tapestry of products together. Gone are the days of single source.

CONCLUSION

I opened this section talking about Christopher Columbus and the myths he had to deal with before making his famous journey in 1492. However, I am sure most of you realized—Christopher Columbus had something else in his favor before setting sail. It was vision. That's right. His vision was greater than his fears. If companies would make decisions based on vision, instead of intimidation and fear derived from the myths floating around in the industry, we would be a lot closer to software utopia. Instead, we will have to surrender to the current state of the industry, which in my humble opinion, is far from the vision I had 25 years ago.

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About the author:

Casey Lawrence has over 25 years of experience in marketing and implementing 10 different enterprise software applications to over 100 companies worldwide. Casey has held various technical, marketing, and senior management positions.