



## Selecting an ERP Software for Small and Mid-sized Manufacturers

Choosing the right ERP software package for your company can be a daunting task. For a small or mid-sized manufacturer, the problems are often compounded by a lack of resources: people, time and money. While the established methodologies for choosing software focus on finding the right functional fit, for small and mid-sized companies, what's more important is the relationship between your company and your software vendor. Choosing the right software vendor for an ERP implementation and its support down the line can often determine whether an implementation succeeds or fails. Smaller companies need to maintain a closer relationship and depend on the ERP vendor to take a much larger role in an ERP implementation than in larger companies with more in-house resources.

### Determine your Software Tier

**Tier I.** These are the most well-known of the software packages: SAP, BAAN, ORACLE, and PeopleSoft, to name a few. These software packages handle everything from process manufacturing to discrete manufacturers. Many of these larger companies are starting to market their products to small or mid-sized manufacturers. Small and mid-sized companies should be cautious. These larger companies do not have a proven track record of success in this market. In some cases, these larger software vendors sell software purchased from other vendors since their own core products might not address the needs of smaller manufacturers. Other vendors offer a subset of their own software under the assumption that smaller companies don't need as much functionality. This is a major misunderstanding of the needs of small business, which often need very advanced functionality in a particular area, but simplified functionality in others.

**Tier II.** These vendors are a good fit for most small and mid-sized manufacturers. These vendors' software provides rich functionality and run on a variety of technologies. Expect higher involvement from these vendors or their representatives (see below) in implementations. In companies with any type of complexity in manufacturing, sales or engineering processes, Tier II vendors might be a good choice.

**Tier III.** These vendors offer what is often referred to as "canned" packages. If across the board, standard business and manufacturing practices are used throughout the company or if all that is required is accounting and light inventory control, these packages will probably be a good fit. When dealing with vendors in this category, expect varying degrees of implementation and continuing support services.

**Value-Added Resellers:** An important note that must be understood is that many software vendors in all three categories use Value-Added Resellers (VARs). A VAR will sell one or more ERP packages offered from various vendors. The VARs will typically not only sell the software but offer implementation services as well. Be aware when you are dealing with a VAR there are a few more things to keep in mind. Though the software might be a good fit, the VAR may not be up to the task of assisting in implementation. The VAR must be as carefully evaluated as the software. Another factor to consider is what type of relationship the VAR has with the software vendor. Are there certifications required for VAR's? If a change is needed in the software, how does the VAR work with the vendor to get it done? If you like the software but don't like the VAR, don't count on being able to change the VAR. Many have exclusive contracts to represent the vendor within a particular region.

### Selecting an ERP Software

Start off by assessing the company's needs in the broadest sense. Is it just an accounting package that is needed? Are there complex manufacturing requirements or is just something to keep track of inventory needed? Assess whether the manufacturing and engineering requirements are straightforward or unique. Put together a realistic budget and get the budget approved. Expect to pay between \$2,000 and 4,000 per user in licensing fees and one and



a half to two times the license fees on implementation costs. The cost of the implementation varies widely depending on the amount of data to be converted and how many changes are involved to make the software fit your needs. Consider also, costs for computer hardware and network considerations including upgrades to PC's.

### **Finding the Right Relationship**

Finding the right ERP vendor or VAR is as important or perhaps more important than selecting the right software functionality. Small and mid-sized manufacturers do not have the resources to devote a full-time team to the implementation. Given this and other resource constraints, smaller manufacturers have to rely much more on the software vendor and/or VAR to carry the load during the implementation and for continued support of the system. Each ERP vendor has different methodologies and philosophies on how to handle the relationship between themselves and their customers. It is a very important step in the process to find out what the philosophy of the ERP vendor is and how that fits within your own corporate environment.

### **What to Look for in a Vendor**

If your company has unique requirements or has an environment in which changes are constantly being made to improve processes, the software vendor and/or VAR might need to customize or modify the software to meet the needs of the company. There is a general rule of thumb that says that most software will fulfill 80 percent of a company's needs. What about the other 20 percent? How are these needs satisfied? Find out what the software vendor and/or VAR's approach is to making modifications to the package. If changes do need to be made, are they upgraded when new versions are released? Are these changes supported through normal support channels?

For smaller companies, it's important to look for a vendor that not only has experience installing its package in small and mid-sized manufacturers, but also one that can take a more active role in implementing and supporting the package. If there is no existing IT department or a small IT department in the company, find out what capabilities the vendor has of helping support the IT infrastructure.

### **Rounding up the Right Vendors**

There are different web sites dedicated to help match up ERP vendors and potential customers. The way this works is the company looking for software answers detailed questions (several hundred) about their requirements. The answers are then compared to the questions the ERP vendor previously answered about their capabilities. These services, which initially may be free, usually result in some payment for the service. While this might be appealing to some companies, it is expensive, time-consuming, and does nothing to rate the other important intangibles such as the relationship the vendor will maintain with the customer. Very often the best candidates may be eliminated because of the way the questions were asked or answered and the built-in bias of the formula used to calculate the score.

### **Finding the Right Functional Fit**

A company looking for software is usually best served by investing its own time to find the right fit. Nobody understands the company as well as the people who work for it. Following are some tools to help determine the functional fit of the software to the needs of the company.

### **The Requirements Document**

The requirements document is one of the most useful tools used to determine the functional fit between the company's needs and a software package's functionality. Take time to gather input from many different sources. This will not only outline the requirements of the system but will help to start the "buy in" of a new system by the people supplying the requirements. Avoid listing requirements in the final document that use company-specific



language. Keep the requirements as specific as necessary to define what is needed but not so specific as to become confusing. Assign rankings to the requirements. A nice-to-have versus a need-to-have should be weighted in the decision.

### **The Demo**

Don't settle for a canned demo. Instead ask for demos targeted at the business needs of the company. If there is a specific need that is either very important to the business or an unusual one, do not be afraid to ask be shown specifically how this would be handled in their software. The closer the demo fits to the business needs, the more likely that vendor will be responsive to needs in the future.

### **Making the Final Determination**

A good way to compare the various software vendors and /or VAR's vying for your business is to perform a "S.W.O.T" analysis. S.W.O.T. stands for Strengths, Weaknesses, Opportunities and Threats. Strengths and Weaknesses tend to be factual in nature and readily apparent. Opportunities and Threats are more intangible but are equally if not more important. An example of a threat is: "We were not able to talk to the implementers and support people," or "there is some question as to how we will handle the scheduling of the shop floor". An example of an opportunity is: "The people implementing and supporting seemed to understand our industry and our specific requirements."

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*Metasystems, the authors, programmers, implementers and support team of ICIM ERP, has been providing integrated business software for small to mid-sized discrete manufacturers since 1975. ICIM is a versatile and flexible business system that fits well with manufacturers in the MTO, ETO, CTO, ATO and mixed mode industries. ICIM integrates the functionality of Sales, CRM, Engineering, Manufacturing, Financials and Warranty Management and provides affordable functionality to the smaller businesses who need 'big' functionality needs.*