In this guide, you will learn:

- Six Reasons To Do A Needs Analysis
- Eleven Mistakes That Cause ERP Implementation Failure
- Eight Secrets To Evaluating ERP Software
- Eleven Questions To Ask Your Software Vendor
- Six Things To Know Before A Software Demo
- Twenty-Three Reasons To Invest In ERP Software
- Eight Rip-Offs In The Computer Software Industry
Guide to Selecting Business Software

Hello.

I'm Bob Palmer, President of Data Guidance Group.

Over the last 22+ years, DGG has worked with many companies to replace software that wasn’t working. Some of the time, the software was old or simply outgrown. Other times, the company simply bought the wrong software.

We have carefully selected several software packages that meet the needs of our customers, and are constantly looking for new software that provides better value. If you are looking for new software, one of our packages might be a fit. If not, we’ll tell you quickly. The most important thing to us is that you find the right software.

This guide provides you the information you need to make a correct, informed decision about complicated software that represents a big investment for your business.

We have learned a lot about what works and what doesn’t. We have evaluated hundreds of products. We’ve seen the rip-offs and the best practices. This guide provides you the benefit of our experience:

- 6 Reasons to Do A Needs Analysis
- 11 Mistakes That Cause ERP System Failure
- 8 Secrets to Evaluating ERP Software
- 11 Questions To Ask Your Software Vendor
- 6 Things To Know Before A Software Demo
- 23 Reasons To Invest In ERP Software
- 8 Rip-Offs In The Computer Software Industry

With this information, you’re prepared to evaluate any software that you may want to consider.

Before you make a large capital investment, consider calling us to discuss it. I would love to speak to you.

Sincerely,

Bob Palmer, CPA.CITP, CGMA
President

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Six Reasons To Do A Needs Analysis

Prescription without diagnosis is malpractice. That’s the reason we believe that a complete needs analysis is necessary for even the smallest implementation. Here are some key benefits to performing a complete needs analysis.

1. The Gladys Principle

Gladys was manager of a restaurant. If there were 100 things to be done and her employees did 99 of them before Gladys came in, you could bet two things:

- The one left undone would be the first one she noticed
- It was the most important one (to Gladys) of all the 100 items.

It’s pretty easy to identify what’s wrong with your current computer system. You have been living with its inadequacies for a long time. It is easy to assume that the new system will surely do everything the old system did, and do it better. Unfortunately, this isn’t a good assumption.

You need to document all needs, including minor needs and things that seem trivial. If you don’t it’s guaranteed that the new system won’t have something that the old system did, and that one thing will be the first thing the CEO notices.

2. Get Everything You Can From ERP

If your company doesn’t keep up with what ERP systems can do—and most don’t—a needs analysis is a good place to learn about the features available. Data Guidance Group’s needs analysis covers several hundred features and types of software in detail. We assure that you know about all the possible benefits and features of ERP software in your business.

3. Reduce Your Investment With Savvy Decision-Making

Selecting software is always about tradeoffs. Since no product does everything, you give up some features to get others. In a well-done needs analysis, you gather information you will need later to decide which features you will implement and which you will give up to lower your investment.

4. Maximize Return on Investment

It isn’t always possible to determine ROI from software implementation. You can estimate and maximize your return on investment during the needs
analysis. A series of studies from Nucleus Research, a leading researcher of technology return on investment revealed ROI ranging from 103% to over 500% in four companies that implemented ERP systems (see graph below).

5. **Prepare For the Implementation**

Thorough needs analysis will help prepare your employees and the vendor for issues that may come up during implementation.

6. **Plan For the Future**

Software packages are often implemented in stages. Preparing for future additions to your system makes your implementation and software purchase more effective.
Eleven Mistakes that Cause ERP Implementations to Fail

ERP systems are complex computer programs that touch every area of your business. From order entry to shipping, warehousing, inventory control, and logistics, an ERP system is either a big asset or a huge headache. No implementation fails for a single reason. Below are 9 major mistakes that cause ERP installations to go wrong. Avoid them and your chances of success go up dramatically.

1. No Management Champion

A system without a senior management level champion is like a ship without a rudder. If it sails long enough, it is bound to run afoul of the rocks. Involve senior management champions early in the process. These champions should be willing and able (based on their respect within the organization) to take the heat for issues that are bound to arise during the implementation. Start by assuring that the management champion is in place.

2. Changing Software Specifications

Computers and software always implement specifics. People think in generalities. It is important to remember that most programmers will implement what is asked for, not what is wanted. If you ask for a specific report, you will probably get it. But it may not be what you wanted.

A good implementer will help you think through decisions regarding the specifications and setup of the product. Be sure to engage the proper level of decision maker in these processes. Making the wrong decision and having to change it later will increase the cost of the implementation; too many changes may cause it to fail.

3. Poor Needs Analysis

The first step in an effective system implementation is to define what the system is to accomplish. This might be called setting goals. Software implementations fail because the business doesn’t consider both current and future needs in defining the set of features needed in software. When the installation begins, the company discovers that needed features aren’t available or are too costly to add.
4. Lack of Planning

Implementation of a business software system involves many steps: needs analysis, selection, hardware evaluation, data conversion, training, go-live, and many more. Failing to plan and systematize these stages often means that items that should be done earlier are not complete when required. This increases cost and frustrates users.

5. Poor Setup

Modern ERP systems contain hundreds of options. Choosing the right options means that the system implementation goes smoothly. Since options chosen in one place (for example, inventory) can affect the way other parts of the system perform (for example, warehousing and order entry), reviewing the options and discussing the full effect of each choice made is critical to the implementation. Many times when implementations fail, it’s simply that they weren’t effectively set up. The options chosen limited the function or features of the system.

6. Ineffective Training

Training can be done many ways. Some installers do classroom training. Others do on-site training. Still others mix the two, doing some classroom training and some on-site training. The best type of training for a specific installation depends on the company and the employees being trained.

We have learned several items that have an impact on the success of training:

- Training should be done in stages, with basic training on entering transactions and plenty of time for practice by clerks before go-live.
- Final training should be as close to go-live as possible.
- Detailed training on problem resolution and exceptions (how to issue a credit for an invoice) should be delayed in many circumstances until after go-live, as long as a trainer is available.
- If the company is using a “train the trainer” approach, it is important that the trainer be able to perform the jobs before going to training. Many
companies train IT specialists in order to have them train accounts payable clerks. This doesn’t work, since the IT specialists don’t know how to perform the clerk’s job. Train the IT specialist to function as an accounts payable clerk or send the accounts payable clerk to training.

- The vendor should dedicate a training team to the project for the week of go-live.
- Once the system’s users have basic training don’t do detailed training until the system is live.
- If training is done properly, go-live is like turning on a light bulb.

### 7. Inadequate Technical Ability in Installers

Modern accounting and ERP systems require a great deal of technical expertise. Many of today’s products actually use a number of other products to do their job. These include things like Crystal Reports for reporting; IBM DB2, Pervasive.SQL, Microsoft SQL, and Oracle as databases; email systems like Send Mail or Exchange Server; and remote access solutions such as Citrix or Microsoft Terminal Server. Visual Basic for applications, web services, C#, Java, and other technologies may be used to modify or extend the systems. In addition to all of this, there is the software, business and accounting expertise required to implement a solution.

All of these interact and require various levels of expertise. Different types of technicians are required to deal with these different issues: technicians for the technical issues; programmers for the programming issues; accountants for the accounting and business issues. In some cases a general business consultant can be helpful in guiding a business toward a better application of software.

If these technical abilities aren’t available during the installation, the installation can fail.

### 8. Inadequate Testing

Every programmer and anyone who works in the software industry knows that:

- Every computer program has bugs.
- No amount of testing will ever find all of them.
- When you include setup errors, the number of possible issues becomes too big to count.

This means that you should test major features before go-live. Can you invoice? Can you issue credit notes? Are the bank account and the accounts receivable
accounts properly updated when you post cash? Think of all the major transactions you do on a daily basis and test each of them before go-live. This will flush out several types of issues:

- Conversion problems
- Setup issues
- Training issues
- Possible bugs in the software

The more issues that are resolved before go-live, the more smoothly you will “go live.”

9. **Expectations Not Set Properly**

Expectations are a powerful thing. Implementation of a working ERP system takes a lot of planning. There are bound to be problems. These take time to work out. And they aren’t unusual. It is important that the users and management understand that some issues are normal and are part of the implementation process.

What should you expect? First of all, employees won’t be as fluent with the new system as they were with the old system. It will take time for employees to become comfortable with the software, and it will take more time for them to learn how to do everything they need to do with it.

Second, it is normal to have some issues, and the number of issues generally is related to the amount of customization. Issues can also be related to data conversion. Testing uncovers major serious issues. It does not uncover all issues.

This means that there are bound to be issues that arise during the implementation. Your implementer should be able to triage these issues and address them in order of priority. Priorities should be set based on business impact and potential for producing future issues.

10. **Keeping the Same Processes That Worked With the Old System**

Business processes drive sales, service, and expenses through the business. Software supports business processes; in fact, software assumes that business processes flow in a particular way. A sales order produces a purchase order for special orders; the receiving of the purchase order triggers a delivery ticket; posting the shipment of the order triggers that sales invoice. This is a brief description of a simple process.

Particularly in legacy systems, business processes tended to be defined around the capabilities of the system. Since the system could only do things one way, the process could only work one way. Newer systems might support better business processes. Part of a successful implementation is examining business processes to determine whether they can be improved. Improving processes
and taking advantage of software features at the same time produces better return on investment and increases the chance of success.

11. **Hardware or Infrastructure Insufficient for the Job**

Hardware and infrastructure is changing rapidly. In many changes, the advances in these areas outstrip software improvements. At the same time, software is taking advantage of the newer capabilities; costs of infrastructure are also decreasing. All of these advances mean that it’s important for your hardware and infrastructure to keep up with the software. Trying to make the new generation of software work on the old generation of hardware can be a recipe for disaster.
Eight Secrets To Evaluating ERP Software

ERP systems are difficult to select. They are complex, difficult to evaluate, and there is as much misinformation as real information about them. Throw in the fact that what was true for version 5.0 probably isn’t for version 6.2, and you’ve got the makings of a real project to select and implement ERP software. There are a few things we have learned from being exposed to dozens of ERP systems. These will help you to narrow the choices and evaluate the products you are looking at.

1. **The differences between software systems are mainly in the details.**

Most software, particularly accounting and ERP software, is very similar. The differences are in the details.

Unfortunately, the details are critically important. A good needs analysis that covers all areas of the business will flush out the details that make the selection easy. A detailed needs analysis is key to selecting the right system.

2. **Most ERP systems can be modified; few are designed to be modified.**

Most businesses modify their ERP systems. The ability to add fields to screens and modify reports is available in most of the major systems, but it is much easier in some systems than in others. Furthermore, if you need to change the way a product works (the business rules), this isn’t easy in most of the systems and isn’t possible in some.

3. **Don’t drive business decisions with technology.**

One of the biggest errors currently being made is putting just IT staff in charge of selecting ERP systems. These staff do what they do best: they specify technology. When buying a system that will run your business, technology is important, but it should be secondary to business function.

One of the biggest errors is selecting software for technical reasons yet not paying attention to the business processes to be automated.

ERP systems are implemented in phases. From an implementation standpoint, this is wise. However, it’s important to select a system with the “end game” in mind. Begin with the total business needs, then select a system that meets those needs. Finally, plan the implementation in slow and easy steps for the business.

Implementations that go live all at once are called “big bang” implementations. There are cases where this makes sense; the plan should be constructed carefully.

Purchasing a system that meets only one or two key needs of the business with the hope that the rest can be added later has resulted in many bad purchases.

5. Bolt-on or add-on products are sometimes packaged as if they were fully integrated with the solution, but many aren’t fully integrated.

All major software ERP software packages today have “add-ons.” Some of these add-ons are designed to function seamlessly as part of the ERP system. Others are “bolted on” and don’t provide access to the full set of features in the ERP system.

A manufacturing “bolt-on” I know of allows tracking of serial and lot numbers through the manufacturing process. When these products are transferred to the sales inventory, the serial and lot numbers of the components are “lost” in the interface. In medical applications where the manufacturer—in the event of a recall—must be able to identify every finished good that contained a particular lot and which customer purchased it, this system simply won’t work. To make this worse, it will probably be months—perhaps years—before the business figures this out. Usually, businesses find out when they need the information and it isn’t available.

6. Data conversion, customization, and training often cost as much as the software.

This is the reality: you should plan for a significant budget for training, data conversion, and customization. Industry studies show that the average company spends between one and four times the purchase price of the product in support services during the first year after purchase. Planning and using an implementation system controls these costs.

7. You must consider hardware as well as software.

Hardware often has to be updated in order to run new software. Keep this in mind when considering your budget for software implementation.
8. **All systems have strong points, but don’t force-fit a product.**

All of the major systems have their strong points. Only a few of the mid-market vendors are known to have a good manufacturing features. Most vendors believe their systems will work in all market segments. They won’t.

It’s important to know what industry segments the product you’re considering is strong in. The difference is, ultimately, in the details, and details make all the difference.
Eleven Questions to Ask Your Software Vendor

In evaluating ERP solutions for clients, asking the right questions are key. Below are some questions that should help you divide the candidates from the rejects. We also included a few notes about how to evaluate the answers.

1. **Are you using any third party products in this solution?**

Third party products aren’t bad. Most installations use some type of third party product at some point. It’s important to know which features are being implemented with third party products and how these are integrated into the main product.

2. **Is all of the data in a single database?**

The answer to this question can often help you judge the difference between “bolt on” and integrated add-on or third party products. If the data is in different databases (for example SQL for the accounting product and ACCESS for the add-on), the products may not be as well integrated as they could be.

If you find that your vendor is using an add-on that has a separate database, ask for a demonstration of the add-on. This will tell you how integrated the add-on is.

3. **What database does this product use, and why did you recommend it?**

The most common databases for mid-market ERP solutions are:

- Microsoft SQL
- Pervasive SQL
- IBM DB2
- Oracle.

**Definition: Third Party Product**

Most major software vendors recognize that some businesses will need features that aren’t economical for them to provide. The software vendor provides instructions and tools to develop new features that work with their software. These tools are used by software developers or third parties to develop new features which may then be resold to businesses that need them.

Sometimes these third party products work seamlessly with the original software. Sometimes there are rough edges. Third party products that aren’t seamlessly integrated are referred to as “bolt on” products.
Some applications use proprietary, COBOL or Visual FoxPro databases. Ultimately, the central issues are reliability, stability, and performance.

We would generally like to have one of the four most common databases available as a choice for software, though we might not choose it for cost reasons. In general, using a database other than these four raises technology issues. These can be overridden by business needs, but everything else being equal, we would stick with the “big four.”

4. **What training is included in your estimate? Do you anticipate this will be enough training?**

Insufficient training (and support) can guarantee that an implementation does not meet goals. Many vendors include two or three days of training and imply that this is adequate for an ERP system. In reality, most vendors will spend two or three days installing the product.

Budget and expense control is important, but studies show that the *industry average* for training and implementation is *one to four* times the software investment.

5. **How do you plan to manage this project?**

The difference between an implementation that costs half the software cost and one that costs four times as much is often planning. The better the sequencing of the implementation and the more thought that goes into each step, the more likely it is that the implementation will be smooth.

6. **How much do you know about (insert a key business issue for you)?**

*Examples: inventory management, warehouse management, manufacturing, LEAN, ISO 9000/9001/9002, etc.*

In order to get the most from your software, your implementer must know more than just how to use the software. Which button to push or which field to fill out is not all you need to know.

If you are looking for better inventory management, find a vendor that has some expertise in inventory. If you’re implementing LEAN, the vendor should have some idea of what LEAN is. The more strategic advice you can get from your software vendor, the bigger your return on investment.
7. **What if I need to add to the system? How hard is it?**

Suppose that you need CRM. Or ten more users. Or perhaps warehouse management. How hard (and how costly) is it to add these features? Will it cost more tomorrow than it does today (not considering possible price increases, of course)? What is the break point at which users become more (or less) costly?

In some systems, if you plan to do A today and add B tomorrow, you’ll reduce your investment if you get a package including A and B. When you take into account financing options, getting more today may be a better decision than waiting.

8. **Can this be done in phases? Will it cost more to do it that way?**

Almost all implementations can be done in phases. Be sure to consider the cost of doing it that way. In some systems, implementing in phases can cost more than implementing all at once. Also, purchasing the software now and implementing later is an option if packages or price breaks are available.

9. **Do you have a written system for implementing ERP systems?**

With the complexity of ERP systems, some formal written system for implementation has become a necessity. A consultant who just “knows the system,” will fail when it comes to a large system implementation. Organization, planning, and systems are important in this process.

10. **How will you keep me informed about the progress of the engagement?**

As you are implementing your system, you will need regular updates in meetings or emails. This information helps you keep the project on target, identify potential challenges, and reduce the investment in the system.

11. **What are the qualifications of the employees who will be implementing my system?**

Some vendors use accounting clerks to train employees. Ideally, the implementation will be headed by a consultant with years of experience, and the day-to-day implementation will fall to consultants with extensive training on the software, business experience, and some previous implementation experience.
Six Things to Know Before A Software Demo

Research has shown that a product demonstration is often the center pivot of the decision making process. But generic demos that show off the bells and whistles of the product don’t do you any good. Here are a few questions to make sure that you get a demonstration that can actually help you make a decision.

Beware of any vendor that comes to the first meeting with you with a laptop ready to demonstrate the software. That’s like a doctor who already has your prescription written before diagnosing your illness. Prescription without diagnosis (needs analysis) is malpractice.

1. Can you include in your demo (insert a list of items you really need in the system)?

A good demonstration of software includes two types of items:

- Generic demonstrations of the software’s features
- Items specifically needed in the current implementation

Make sure that you make a decision based on a demonstration designed specifically for your business.

2. Will you provide me with an outline of what you will show to approve before the demo?

Many software vendors want to “control the demo.” This means that they will take a list of items that you want to see and may only show half of these items. Of course they will pick the items that their software does best.

By having an outline to use as a checklist, you can assure that you see all the features in the demonstration that you need in your business. It is also reasonable for a software vendor to indicate that a particular feature takes extensive setup (for example, an eCommerce site demonstration), and suggest an alternative. The outline of the demonstration should be jointly agreed upon by the vendor and your business.

3. Will the presentation be specific to my business or at least my industry?

A generic demonstration (for example, “Let me show you the general ledger…”) does not provide enough information for you to make a decision. Ideally, a product presentation is done only after a detailed needs analysis and the demonstration outline includes the needs identified during the analysis.
4. **Is it possible to use some of my company data in the presentation?**

This is a great idea. It does require some of your time to prepare the data for the vendor.

5. **My end users (clerks) would like to see the demonstration, too. is that OK?**

Most vendors will agree to this request. If they don’t, find out why. Your clerks and other end users will see things that other higher-level users won’t. Be sure to have the management champion there as well.

6. **After the presentation, I may want to present a list of written questions. Can you prepare answers to these if needed?**

This is an excellent idea. No presentation or demonstration can cover all of what you’ll want to know about a business software package. Writing down questions and submitting them later can get you more information about the product that you need to make a decision.

Also, we recommend that you phrase the questions as “How” questions. Rather than asking, “Does the software handle serial numbers?” Ask, “How does the software handle serial numbers?” You will get more information from these types of questions.
Twenty-Three Reasons to Invest in ERP Software

Businesses used to think of software as a cost center. Today’s ERP systems can provide quick and sure return on investment. The traditional reasons for investing in ERP software (reduce or control head count, improve efficiency, accounting accuracy, etc.) are still good reasons, but there are a host of other benefits that smart companies are getting for their investment in business software.

1. **Improve inventory management**

   Inventory is the largest asset of many businesses. But businesses don’t hold inventory because they want to. They hold inventory because they must in order to meet customer demand and keep customer satisfaction high.

   ERP systems that focus on inventory have techniques for reducing inventory while maintaining or increasing customer service levels. With proper implementation, a good inventory control system can pay for itself with inventory reductions.

2. **Collect data for selling more to current customers or clients.**

   Computer systems can help you implement several types of customer-driven sales strategies. The possibilities to generate additional revenues are endless. Here is a sample of what our clients have done with data:

   - Equipment replacement plans: contacting customers when it is time for them to replace aging equipment
   - Service plans: selling additional service to extend the life of customer assets
   - Information: becoming a source of information for customers on the products they own in order to cement the relationship
   - Operations: providing customers key information about their operations. For example, how much of a particular product they are using or how much they are selling.
   - Making Buying Easy: by keeping history on all the purchases of a customer, advising the customer on replacement parts or consumables becomes easy
   - Consumable sales: contacting customers who have equipment that uses consumables (oil, toner, paper) to sell consumables.

   Perhaps these will spark your imagination.
3. **Forecast product requirements better to set better reorder points.**

Ultimately, inventory management involves forecasting sales. Most inventory management software just uses average sales as an estimate. This forecast feeds a program that tells the system how much to order. Reorder points and economic order quantities or minimum and maximum quantities are provided automatically by this process. The Gordon-Graham method and its revisions by Jon Shreibfeder are the current best-practices in inventory management.

The better the forecast, the better the reordering. What to reorder, when to reorder and how much to reorder form the core questions for inventory management. What is determined by evaluating products. When is determined by lead time and sales velocity, and how much is determined by the forecast. Current studies suggest that inventory management can reduce inventory by 34% on average.

4. **Improve efficiency in the accounting department**

In business after business, we hear of the woes of the accounting department that puts in long hours to get work done. Some of the work may not get done. Statements may be sent late; overdue accounts are not tracked; customer service slides a little bit. The more work the accounting department has, the worse this gets.

It is difficult in many businesses to get a good grip on backlog in the accounting department. Manufacturing and order processing backlog is tracked by most computer systems. Accounting backlog is tracked in the in basket. Making the accounting department more efficient assures a better business result.

5. **Do more with fewer employees in key bottleneck departments.**

Efficiency and reduced headcount are classic reasons for investing in software. They are still valid. Computer systems reduce the need for additional headcount as businesses grow.

Eliminating bottlenecks in receiving, shipping, and inventory can indirectly increase capacity and therefore increase revenue. Likewise, handling product more efficiently can increase accuracy and reduce returns by giving employees more time to concentrate on accuracy.

Finally, accounting functions often benefit most from accurate and timely data. This can mean increases in cash flow by making more time for employees to concentrate on collections.

6. **Keep current customers.**

Just a few years ago shipping on time and with few errors were strategic advantages. Businesses were built on the ability to ship or deliver “same day” or “tomorrow.” Our clients tell us that this isn’t good enough any more.
Increased overseas competition and overnight world-wide delivery eliminates this advantage. They need to offer more and better services for the same price. This means cutting costs while increasing customer service.

Software can provide the leverage to allow even the smallest businesses to tailor their services to customer preferences. When evaluating software, look at the additional services you can offer customers with the software you invest in. Additional revenue from retaining customers and selling more to existing customers can more than pay for the software.

7. **Reduce dollars in inventory.**

Inventory is the biggest asset of many businesses; it’s also the biggest problem. Inventory seems to disappear. Inventory records become inaccurate. No one seems to be able to explain why.

Best practices project that a good inventory system with warehouse management could reduce your inventory shrinkage as much as 89%. Would this pay for the system?

Most businesses find that if they can control inventory, the computer system pays for itself within 12-18 months.

8. **Reduce the amount of warehouse space your company needs.**

When you walk through many warehouses, you see lots of empty space. Usually, this is because inventory is stored by vendor. All of Alpha vendor on that rack—usually in product number order. All of Beta vendor on that rack. Empty spaces are left for product not in stock. If sales demand is constant and level, racks are full only after a shipment is received. *On average, at least 50% of the space in the warehouse is empty.*

A more efficient arrangement would be by order frequency. Products that are ordered and restocked more frequently are located at the front of the warehouse near shipping and receiving. Other products are located where space permits.

If demand is level, this means that you could store *twice* the inventory in the same space. It also decreases the amount of time required to pick and ship items since the most frequently ordered items will be easiest to access.

9. **Increase the number of packages a warehouse employee can pick in a normal day.**

Most warehouses are arranged by vendor. All the products for a single vendor are located on racks together, with some allowances made for the size of the product. Smaller product packages may be stored in one location while pallets are stored in another. In some warehouses partial pallets or cases are stored together.
This product arrangement means that the most popular items are mixed with the least popular items. Items that move quickly are mixed with stagnant inventory. The pick path through the warehouse is increased.

By locating products that are ordered frequently close to shipping and staging areas, pick paths can be reduced for the most frequently picked products. The amount of time required to pick an average order is reduced if items that are ordered infrequently are farther away and products needed more frequently are closest. Warehouse employees do more every day. It’s like making time with software.

Best yet, a warehouse can be rearranged by stages. By setting the software up to pick from existing locations but restock to the new locations, no massive warehouse rearrangement is needed.

10. **Decrease the length of the sales cycle.**

Many sales studies have proven that the length of the sales cycle is reduced by using a sales system. The trouble is getting sales people to use the systems.

From a sales perspective, most salespeople are compensated based on the amount they sell. Anything that contributes to sales is used; things that don’t make sales are discarded. By implementing a computer system that helps salespeople in making sales and assures that the sales process is followed (or at least provides data to manage this), technology can reduce the length of the sales cycle.

**Definition: Go-Live**

Go-live is a milestone in a system implementation which is the time when the new system replaces the old system. This milestone is critical since all the preliminary steps (setup, data conversion, training, etc.) must be done at this time. Go-live is the target of the entire system implementation.

11. **Add new customers.**

New computer software for sales automation and customer relationship management (CRM) makes it easy to communicate regularly with prospects through mail, email, or personal contact. Using software in conjunction with a well-defined sales process can dramatically increase the number of new clients your business adds.

12. **Locate new customers.**

Database marketing introduced science to the arcane art of marketing. The web brought an even greater ability to measure effectiveness of marketing. By using both of these tools, you can refine your ability to locate new customers at a minimum investment.
13. **Decrease effort and error (increase accuracy) in order processing.**

Order processing, particularly backorder processing, is difficult for many businesses. Computer tools to schedule, order products on backorder, manage receiving and shipping, and improve efficiency in the warehouse can reduce the difficulty in order processing.

14. **Control manufacturing costs.**

It is interesting to us that many small and mid-sized manufacturing firms don’t have a firm idea of what their product costs. In a market that’s not particularly “tight,” this isn’t terribly critical. Some manufacturers are finding, though, that they need to determine costs down to the penny. Good manufacturing software can help make this easy. It can provide accurate inventory costs and ways to capture what is happening on the shop floor.

15. **Improve fill rate and customer service level.**

Best practices in distribution define customer service level as the percentage of order lines shipped *complete* and *on-time.* This means that an order for 10 pieces which ships in two different shipments is a 0% customer service level for that line item (even if both shipments arrive ahead of schedule).

Fill rate is the percentage of all quantity ordered that is shipped from inventory. If 10 are ordered and 9 can be shipped immediately from inventory, the fill rate is 90%.

Both of these are improved by better inventory management. The most sophisticated inventory management techniques require computers. Computer systems can quickly do the calculations required.

Improving inventory management also frequently reduces inventory. This is a dual benefit: customer service level and fill rate increase and inventory decreases. Customers are more satisfied and the system is paid for from inventory reductions.

16. **Get more work done with the same employees.**

For service or manufacturing firms, employees can become a bottleneck that prevents delivery. Integrated ERP systems connect the time to do work to the employees who do it. Scheduling increases the efficiency of the operation, avoids wait time, levels workload, and helps you determine when you need to add additional shifts or employees.

17. **Do more by scheduling better.**

Manufacturing plants often have bottleneck processes. These can vary from season to season and year to year as the product mix changes. But it may be difficult to see exactly where the bottleneck is occurring, and fixing a bottleneck in one location may create one somewhere else.
ERP systems provide you with visibility to the factory floor where you can see the load on each machine center or work center. Of course, a work center can be as complex as a multi-million dollar machine or as simple as a painter.

18. **Stop missing service opportunities.**

Customer service is the key to success in most businesses. Yet many clients tell us that they’re still managing the service process with paper pads and Post-It notes. A refined system for managing service can help you keep employee utilization and profit high and customers satisfied at the same time.

19. **Stop losing money on warranty service.**

Warranty service provided to customers for vendors seems simple but winds up being complex for small businesses. Keeping track of the parts used for warranty vs. the consumables used that need to be billed to the customer can be a nightmare. All of this can be automated.

20. **Add new services.**

When service is automated, it often becomes possible to offer new services. The carpet cleaner who comes to your house to clean the rugs offers to set up a maintenance plan. They come every six months to clean the carpets. You get cleaner rugs and a reduced rate; the carpet cleaner gets more revenue.

Offering service plans like this and using the computer system to manage makes business fun and profitable.

21. **Comply with labor laws.**

Labor laws like ADA, FMLA, COBRA, and others are making benefit administration more and more complex. Automation can make sure that you don’t miss anything and control liability.

22. **Track insurance on assets.**

Fixed assets like trucks and equipment need to be insured. But sometimes when assets are gone, businesses are still paying the insurance. More often, new assets have been added that are not covered under current policies. Insurance agents don’t recommend coverage because they don’t know about the assets. Tracking the insurance value and coverage of assets assures that your business is protected.

23. **Track repairs on assets.**

Assets like equipment and trucks can become expensive to repair without you noticing. Tracking what you spend asset-by-asset can help you see when it’s time to replace or upgrade assets.
Most software companies don’t rip off customers, at least not on purpose. There are several issues that seem to recur in our conversations with customers. For some reason, we seem to do a lot of “rescue” work, attempting to save installations gone bad. Here are some things we have learned in helping companies purchase software and make software work.

1. **Vendors who sell pirated software**

It doesn’t happen often, but we do run into customers who have software that was never actually theirs. We’re not talking about that “extra” installation of the word processing software. We mean that a software vendor sold them software that was either (a) a dealer not-for-sale version, or (b) used some other company’s activation information or license.

2. **Underestimating training needs and fees**

All vendors provide estimates of things like training and data conversion. It’s easy to reduce the total investment if you just estimate low. We are working with a client of a national computer consulting firm that estimated a total installation budget of $300,000. The current fees are at $500,000 and climbing.

This doesn’t mean that it’s possible to *never* go over budget. Remember that the industry average is *one to four* times the software investment. Good management may reduce this to 50% to 75%, but lower than that you’re asking for a major overrun.

3. **Promising data conversion when it isn’t possible**

Getting data converted isn’t always easy. Retrieving the data is the first issue; deciphering it and making sure it isn’t corrupt is a second issue. And some software makes it difficult to convert certain types of data. There are best practices related to what data to convert and how to convert it. Your vendor should explain these for you.

4. **Selling software that won’t solve the business problem**

Most vendors that I have known over the years won’t *knowingly* sell software that won’t work for a particular business. But many don’t do an adequate job of needs analysis, and wind up recommending systems that aren’t the best choice for the job. Every vendor is limited by their knowledge. A vendor familiar with only one software package always recommends it.
5. **Putting add-on or bolt-on software products in play that don’t work well together**

ERP software includes the most commonly requested features from a large number of users. Someone is going to need a feature that isn’t included. This is where add-on products come in. They aren’t bad things; every effective and professional software vendor uses them.

Some of these add-ons are designed to function seamlessly as part of the ERP system. Others are “bolted on” and don’t provide access to the full set of features in the ERP system.

6. **Installing with inadequate hardware**

Another way to reduce the apparent investment in the software is failing to check the current hardware. The reality is that some software these days requires pretty beefed-up hardware to run efficiently. Ignore this, and accounting clerks will be yelling about performance.

7. **Promising features or functions not available**

ERP software is complex. Organizations that support and resell it are complex. It’s easy for a technician or sales coordinator to answer “Sure, it does that!” to one too many questions. Be sure to document things that are critical, and be sure that the proposal you see addresses the needs you identified in your needs analysis.

8. **Selling vaporware**

“It will be available in the next version due out in September.” These are famous last words in the software industry. The question is, “September of what year?” Our advice is: if you need a feature that’s not available until the next version, do one of the following if feasible:

- Wait for the next version (our recommendation).
- Review an alpha or beta copy of the software’s next version (which will be available six months to a year before the software version is shipped).
- *At the very least*, get a feature list for the new version provided by the software vendor (that is, the company that actually supplies the software such as Best, Exact, or Microsoft).