When Shopping for an ERP Solution, Beware the Empty Promise

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ERP stands for Enterprise Resource Planning, but the “p” might as well stand for “promises.” Sometimes, that means empty promises that lead to yet another p-word: “problems.”

Bad software is not the primary reason ERP systems, in general, have earned a bad industry reputation (to be sure some of it is bad, but a lot of it is not). Rather, trouble usually arises because of the tricks, empty promises and false guarantees made as an ERP vendor’s sales representative works to close a deal.

Promises like, “Sure, we can meet that deadline. No problem.” Or, “We don’t have that capability now, but it’s on our short list for development.” Or, “Our warehouse management system will definitely integrate with your invoicing software.” Or, “We promise you’ll have one interface across the whole enterprise.”

If you’ve shopped around for ERP software, you’ve probably heard some variation.

Unrealistic promises, most of them probably made up on the spot in the heat of negotiations, cause false expectations that, too often, put implementations on a track for failure. Pitfalls run the gamut, from cost overruns and project delays to outright botched implementation.

Failed ERP Implementations Can be Catastrophic

Given the high stakes involved, selecting the wrong vendor based on empty promises can be catastrophic.

Just look up some of the famous, failed ERP implementations, such as Hershey Food Corp.'s attempted upgrade in the 1990s, which cost the company a 19-percent drop in quarterly earnings. Looking back, analysts said the problem stemmed from an unrealistic project timeline, which caused important testing to be skipped.

Another textbook case is the 18-month implementation debacle that led Waste Management to sue its ERP provider. Again, the allegation centered on what the client was told during the sale.

What was promised is almost beside the point. The bottom line is that the parties weren't on the same page from the beginning. That's a mistake your company can avoid by prosecuting the bold promises that are often made in the ERP sales process.

Here are four empty promises to watch for — and to question closely — when negotiating with an ERP vendor:

1. "I Promise It'll Work On Time."

Don't let anyone kid you: ERP solutions are complicated, and they can be difficult to properly set up.

Many ERP vendors promise to get the software up and running quickly, even when they're uncertain or the situation dictates that it won't be possible. Investigate your vendor carefully to get a sense of their track record. Ask to talk with some current clients or, better yet, seek out those clients yourself if you have the opportunity.

If the vendor has a strong history of deploying ERP software in environments similar to yours — on-time and on-budget — you probably have a winner. If not, or if the vendor seems reluctant to prove its case, you should consider moving on.

Also, watch out for the tendency to underestimate the time and cost of data migration when software is upgraded in the future. You want a solution that enables one-time data migration — the ability to configure once and migrate forever. That will save you time and money.

2. "I Promise I'm Selling You Exactly What You Need."

While most businesses will not experience the $100 million dollar installations that are common in Fortune 500 companies, ERP software can be large and expensive.

This can create a great deal of opportunity for ERP vendors to pad charges by selling you software and hardware that you don't truly need. In many cases, you shouldn't need to buy significant amounts of new hardware, especially if you're considering a cloud-based, or SaaS (Software-as-a-Service) tool. A SaaS tool can save on both capital expenditures and operating costs.

In today's market, a vendor who does not offer you a SaaS option is either behind the times or trying to get a larger one-time purchase from you. On the other hand, if they force SaaS on you even though it does not fit your business, they may be trying to lock you into a contract and a long-term revenue stream for them. The choice ought to be yours, so don't let them make it for you.

3. "I Promise We Can Do That."

It's not unknown for even a large ERP vendor to promise some bit of functionality they don't actually offer. Why? Because by the time you figure out the functionality doesn't exist, you're in too deep to go back. Again, you need to check it out and see the functionality with your own eyes on a production-grade version of the software.

A variation on the theme is, "Sure, we can configure that to suit you." Make them show you. You need things like the ability to define the user interface or define what data populates a certain scenario. If that's not available, the solution isn't truly configurable.

4. "I Promise it Works with Other Business Solutions."

You need your business solutions to seamlessly integrate with other required applications, both on the front and back ends, where you've already invested time and money. Whether you use PeopleSoft, Infor, SAP or Oracle, your business processes solution will not provide the all-important, real-time transparency you seek across the enterprise without proper integration.

Ask your vendor how the product's integration engine feeds systems both upstream and downstream. Invoicing should integrate with warehouse, which integrates with transportation, and so on. Ask to see that level of integration in action.

Most ERP vendors are reputable businesses that put their customers first, but keeping your eyes open is still a good idea. As always, caveat emptor: Let the buyer beware. Your own vigilance is the best defense.

Apptricity Co-founder, CEO and president Tim Garcia has more than 25 years of software sales, management and development experience in the enterprise applications market. To learn more about Apptricity, please visit www.apptricity.com *[1].*

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