

## Selecting an ERP Provider

Written by Souma Das  
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In today's ever-changing market, companies leverage available technology to set themselves apart from the competition. As businesses look to grow margins through expansion, everyone along the supply chain is looking to decrease costs, increase operational efficiency and bolster their bottom lines. One such technology, enterprise resource planning (ERP) software, assists an organization with its business-critical functions like inventory and order management, and forecasting and planning. While these are the core functions of an ERP system, enterprise software providers also offer a host of applications designed to increase profitability, improve productivity and effectively manage the distribution channel, such as customer relationship management, business intelligence, supply chain management, logistics and warehouse management.

Whether you have already implemented an ERP solution and are looking to upgrade or are in the market for your first ERP system, there are a number of factors a company must take into consideration when selecting an ERP provider. And in today's consolidating ERP market, the uninitiated can find it to be a daunting proposition.

It goes without saying that you should always do your homework before making a major capital investment. Information technology is certainly no exception and should involve a good cross-section of senior management to help evaluate the system and determine needed resources, integration timeframe, contingency plans and training requirements. Knowing where to start can prove to be overwhelming. This is why you should always start with what you know.

### What You Need to Know to Get Started

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You may not know the functions and services an ERP provider can offer, but what you do know about your own business practices is just as important – maybe even more so. The first thing every company should evaluate is its business processes to look for natural efficiencies. Don't assume that an ERP system alone can make your company more profitable without first looking for internal efficiencies. This allows you to know what functions your ERP provider needs to support and can save you from purchasing costly modules you don't need and will never use.

A common mistake companies make is assuming that automating manual processes will lead to increased efficiency. It is critical to understand that although the ERP market is a mature one, no "out-of-the-box" ERP system is designed to automate your unique manual processes. With this in mind, it is in your best interest to select a provider that offers an ERP system with significant off-the-shelf functionality unique to your industry that will need minimal customization to meet your needs.

Careful review of your business practices can help you identify areas where efficiency can be achieved. Although industry counterparts may have regaled you with horror stories, selecting an ERP provider should prove relatively pain-free if you have done the initial legwork and ask the right questions.

### Questions You Should Ask

Perhaps the most important question you need to ask is, "does this provider have the functionality to meet my business needs?" An ERP system should not only address the needs you have today, but have the ability to accommodate anticipated needs in the future. Since you are selecting a provider to be your technology partner, you should feel confident the provider is growing and will be here for many years to come. Even though no one knows what the future holds, you should look for an ERP provider with financial stability, aggressive R&D practices and comprehensive service and support, ensuring your technology investment will be protected.

The question of cost always plays a crucial role in any capital expenditure, but savvy CIOs realize that the determining factor in the expense is total cost of ownership. In order to get an accurate perspective of the total cost of ownership, one has to look at how the cost combination

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of software, implementation, services and maintenance will affect the business over the next five-to-ten years.

When beginning the selection process word of mouth plays a big part in selecting an ERP provider. Even if your peer is using an ERP system with great results, you should always do your due diligence. Ask the prospective ERP vendor to provide a couple of references for you to speak with who are utilizing the software you're looking to implement. Don't be afraid to inquire about implementation time, service and support after the sale, and employee training services. Most importantly, the customer should be a peer company you recognize of equal size whose doing what you're doing in the markets you serve.

As varied as the operating systems of computers, so are the platforms for ERP software. It's important to identify in the early stages whether the provider's software will run on your existing operating system. In addition, a provider should be able to offer a path to emerging technologies, including the flexible delivery of applications such as web-based services. Discussion around platform stacks, open source and service-oriented architecture (SOA) can be very confusing, making it difficult to determine how these technologies factor into your selection of an ERP provider. The ideal technology partner, however, is forward-thinking and innovative, and provides a migration path for your business as it grows.

## Critical Components for a Global Economy

When selecting an ERP provider it is important that a company realize globalization is a reality of the world we live in. Whether you do business around the country or around the world, supply chains are growing more complex as companies outsource their production facilities, making logistics, and supply chain management and integration critical functions.

As electrical distributors strive to increase business efficiencies, while reducing delivery and freight costs, they are turning to ERP providers for help. Logistics and route planning are increasingly becoming more important due to rising fuel and insurance costs. An ERP system that allows you to effectively plan a truck route to make 20 stops a day without ever having to backtrack will result in a significant decrease in transportation and overhead costs.

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Additionally, supply chain planning, supply chain integration and demand planning are functions that distributors need to investigate as a means of distinguishing themselves from the competition. An electrical distributor can dramatically increase product movement through the supply chain by integrating with his suppliers and his customers so that all are sharing forecasting and demand information.

This is essential in light of the fact that certain electrical components are manufactured in overseas facilities with very tight production schedules. These long lead times make it imperative that the distributor effectively communicate to the supplier to avoid having an excess of inventory lying around. The more effective the distributor can be in communicating to the supplier what his requirements are based on his customers' needs, the more efficient the entire supply chain becomes.

Through careful research and planning, electrical distributors can avoid common pitfalls in the selection process. By aligning internal efficiencies with the capabilities of an ERP provider you will be well-equipped to choose the best technology partner for your business.

***The article is written by Mr Souma Das, Managing Director and VP Sales, Infor India***