PROACTIVE ERP
enterprise resource planning

Part II: The Enterprise Resource Planning (ERP) Sales Cycle
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I was on a business trip to Florida when I received a call from the inventory plug-in sales rep for our accounting system. At first, the call was going well, and I recall initially wanting to go this route. Then, something was said at the end, I cannot remember the exact wording, but I do remember thinking this is no longer an option. Within a few days of the previous call, the Enterprise Resource Planning (ERP) software sales reps called and suddenly, this path didn't seem so steep anymore.

Over the past several months I continued researching options and learning more about ERP software. Instead of having separate platforms for accounting, inventory, CRM, and e-mail marketing an ERP solution provides all these items and operations, demand and supply planning and more on one stable platform!

Our sales cycle for selecting an ERP was long for several reasons, including the company was evaluating plug-ins to our current accounting software package as well as several ERP software solutions. The ERP software solution seems to be a new option for most small business and understanding it is important and needs additional time for owners and managers to understand its potentials, challenges and advantages. The ERP was a radical shift from the current mindset, however it did meet the vision of the company, which is to be significantly larger.

The first sales call from the first ERP company did not go well at all. The founder of the company and I were on a business trip and arranged for a conference call. The founder is a specialist in sales and marketing and did not appreciate the pushiness of the sales rep. However, we agreed to allow this organization to complete a discover meeting at no cost to our company. The in person discover meeting did not go well either from the selling on "pain point" in front of our entire team. This approach seemed to not help team member confident with management, showed biasness in sales presentation and costs selection (server basis vs. cloud).

The founder might have been through with ERPs before the company even knew what they really were. Fortunately, I was still in contact with multiple other ERP sales reps and with progressing conversations. I learned from the first series of meetings that a server-based ERP was not the solution for our company. One of the other sales reps I was in progressing conversations with offered a web-based, cloud, solution.

Your company will need to speak with several ERP companies to find the best software solution and to negotiate the best pricing available. If your company only speaks with one company, you

will not understand if it is the best solution and you will not have any power to negotiate a lower price.

A few lessons learned from the ERP sales cycle

Lesson 1: Testing and Evaluating the Software

Have you every purchased a car without driving it? I found it challenging to test ("touch and feel") the software during the sales process. Prepare yourself to watch a lot of videos on how wonderful the software is. I prefer a more hands-on approach and watching videos pushed my comfort level. Patience is a virtue—eventually you will be allowed to try the software. You may have to be persistent, and it will most likely not occur at the beginning of the sales cycle.

If you have never used an ERP or complex software before, there could be a good reason for the ERP companies not wanting to allow you to try it too early on. The software could intimidate you during a time when the sales people are selling easy-of-use and addressing solutions to your company's problems. Remember, learning any new software may take some time. Flash backs to new versions of any Microsoft products or QuickBooks anyone, when just a shift of an icon would cause half of a CPAs office to revolt around the water cooler.

Lesson 2: Find Other People Using the Software

I had to spend time finding contacts who used an ERP or who knew someone who used an ERP to see what I could learn. I was surprised by the number of people who mentioned that their company purchased an ERP and then did not implement it due to the complexity. This was a warning sign for the nature and scope of the project as well as for certain products. Of course, products can change and improve over time. Take time to find companies and professionals who will discuss and share their ERP experiences with you.

Tip: If your company decides to move forward with an ERP, your entire management team needs to be dedicated to the process, and you most likely need to engage a consultant for six months to a year (life of the project) who specializes in implementation (or the ERP software) to assist you, besides the ERP's implementation team. This individual would be employed (or engaged) by your company and therefore work and report to your company. This individual would help coordinate events between your company and the ERP company's implementation team. This extra investment will be very valuable during the entire implementation period (planning phase, the "go live" and post-implementation period). Additionally, you will have a professional to contact who is intimate with your ERP system after the implementation period. This would be very valuable for your company to have, especially within the first year of the "go live" date.

Lesson 3: The Duration of the Sales Cycle

The interaction with the ERP company for the sales cycle from initial contact to final contract can be over six months, perhaps closer to a year. You should not be in a rush to select an ERP system if you want to ensure good pricing and getting the right software for your company and industry. Small businesses should be aware that many ERP providers will negotiate small business discounts. However, these discounts most likely fade over time as your company grows. I believe the thought might be to develop a long-term win-win between the ERP company and your small business. If your company uses the platform and grows, it will be successful, meaning that your company most likely will not migrate away from the ERP system resulting in a long-term ERP customer.

Lesson 4: The Cloud or Local Server Option.

The ERP can be in the cloud or on a server. Be mindful of your company requirements. You will see the multiple offers from the ERP companies. Is the ERP company selling a cloud-based solution or a software and a hardware package? Does your company want to upgrade a server and pay an IT company or multiple vendors or have a relationship with minimal vendors (primarily the ERP company)?

The ERP salesperson may also try to explain tax regulations (e.g. Section 179 deduction) for purchasing a server versus paying for software monthly in the cloud. Please double check their calculations. I recommend conducting an analysis on how the different options will affect your company's balance sheet and financial structuring. It is also important to understand how the differences may affect important Key Performance Indicators (KPIs) such as fix asset turnover and other financial metrics such as debt obligations (if you finance or reduce your cash position). These presentations can also reveal the sale person's bias towards what they prefer you to do. For example, errors in calculations, and extreme discounting can reveal attempts to pressure decision making.

Lesson 5: Sharing Information

A salesperson will want to learn about your company—the growth and the challenges. This is natural and can be very beneficial. However, I observed how several salespeople continued to sale on preserved "pain" points instead of software solutions. Be cautious of your emotions being triggered during this process. Although it may be beneficial to share information during the sales process, ensure the software representative is selling on the merits of their product.

Conclusion

Once you have selected your ERP software you can begin preparing yourself for the next step of the implementation. The next article will share insights on lessons learned from the implementation.

Any challenges from the implementation are well worth it! The data your company will have access to and the ERP should increase your company's operational efficiencies, in additional to the marketing return on investment. These new gains, provided by the ERP, should result in your company's new competitive advantage.