Helping you make the best investment

ERP SYSTEM SELECTION SUPPORT

- Unbiased expert advice
- Proven system selection methodology
- Powerful selection tools

Follow us

bdc.ca/systemselection
THE GROWING POPULARITY OF ENTERPRISE RESOURCE PLANNING SYSTEMS

Market competition has transformed the modern business environment. Companies today must reduce costs, maximize return on investment (ROI) and be more responsive to customer needs. One of the most efficient ways a company can improve its performance is by implementing a fully integrated software solution, commonly called an enterprise resource planning (ERP) system.

In Canada, companies are turning to ERP systems at an increasing rate. A recent study in Quebec, for example, found that the percentage of small and medium-sized enterprises (SMEs) using ERP systems rose from 17% to 32% between 2009 and 2011. Across Canada, a quarter of all SMEs currently have an ERP system; the manufacturing industry is leading the way, with 34% of companies using one.

As demand for ERP systems has increased in recent years, more and more ERP systems and platforms have come on the market. Some ERP system vendors are adopting new technologies, such as Internet-based or “cloud” systems. In addition, due to tough competition, many ERP system vendors are trying to differentiate themselves by targeting individual industries (e.g. manufacturing, distribution or services) or business models (e.g. process manufacturing, discrete manufacturing or engineering to order). As a result, no single ERP system can meet the needs of every industry or business. Complicating matters, many vendors try to penetrate new markets by extending their systems into industries for which they weren’t necessarily designed.

As the development of new and enhanced ERP systems continues, entrepreneurs looking to invest in an ERP system face the increasingly complex task of selecting the right one for their needs and must exercise caution. Unfortunately, many organizations make this critical decision without access to sufficient information or a proven selection methodology.

### Percentage of Quebec SMEs with an ERP system (2009 vs. 2011)

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>17.1%</td>
<td>32.2%</td>
</tr>
<tr>
<td>Between 5 and 19</td>
<td>13.3%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Between 20 and 99</td>
<td>23.0%</td>
<td>42.2%</td>
</tr>
<tr>
<td>Between 100 and 499</td>
<td></td>
<td>48.0%</td>
</tr>
</tbody>
</table>

Source: NetPME 2011, Use of ICT by Canadian SMEs.
Benefits of an ERP System

Any company investing in a new tool or equipment wants to know the investment will provide a sufficient ROI. That’s certainly the case when a firm is purchasing an ERP system.

Although every company is different, most companies’ interest in implementing an ERP system starts with a need to address operational difficulties, for instance, excess inventory, trouble in meeting production schedules, out-of-stock situations, lost sales, increasing costs, an inability to match competitors’ moves or shortcomings in current systems. Sometimes, there is just a general desire to improve productivity.

Entrepreneurs typically decide to buy an ERP system when they realize their business is not running effectively due to a lack of centralized, accurate and available company information. At this point, many business owners conclude an ERP system is a sound investment that provides a positive ROI.

Fortunately for entrepreneurs, the need for an ERP solution is a natural consequence of a company’s success and maturity.

In addition to the above factors, many entrepreneurs buy ERP systems for the following reasons:

1. **Reduce Costs**

   Despite the huge initial investment, an ERP system can significantly reduce the operating costs of a business. These savings can come in the form of reduced inventory levels, increased resource utilization rates, reduced waste, lower procurement costs and higher employee productivity.

2. **Improve Collaboration**

   As companies grow, the need to improve collaboration among employees, suppliers and customers becomes critical. By using advanced ERP functionalities, such as workflow, document management and standardized processes, organizations can share real-time information, often through an easy-to-use central application.

3. **Enhance Strategic Planning**

   ERP systems collect, manage and distribute information across functional boundaries and break down information silos within an organization. The measurement, analysis and reporting capabilities of an ERP system help entrepreneurs plan better, react sooner and work more effectively, to respond to changes in demand, competitive actions and market disruptions.
MAXIMIZING RETURN ON INVESTMENT

A five-year study of 1,600 ERP implementations found that “67.5% of organizations failed to achieve at least half of the business benefits expected from their ERP systems.”


An investment in an ERP system represents a considerable financial commitment for any organization. As with any investment, an ERP system must provide a positive financial return for entrepreneurs. Unfortunately, many companies fail to achieve the anticipated benefits of their ERP systems. In fact, a recent study found that 67.5% of companies having bought ERP systems failed to obtain at least half the benefits they had anticipated.

Other recent independent studies have shown that the type of ERP system chosen can contribute significantly to the success or failure of an ERP implementation. For many entrepreneurs, the choice of an ERP system will ultimately make the difference between a positive and a negative ROI.

A 2010 international study of failed ERP implementations found that “84% of respondents believed that the ERP product was a significant to very significant contributor to the ERP project’s failure.”


Many other factors have been cited as contributing to a low ROI from an ERP implementation, including the following:

> Lack of information about the total cost of ownership
> Lack of access to recent ERP market intelligence
> Lack of unbiased ERP system information
> Lack of ERP system implementation experience

A 2005 in-depth study of ERP implementation problems found that “ERP system misfit was a critical failure factor in 75% of implementations in the study.”

Source: University of Hong Kong, Critical Failure Factors in ERP Implementations.

For many entrepreneurs, the importance of selecting the right ERP system cannot be overemphasized. An informed ERP system selection can minimize investment risk, maximize benefits and ultimately create a more competitive, more successful business.
INVESTING FOR THE RIGHT REASONS

Many reasons prompt a company to invest in technology solutions. According to a study performed by BDC in 2013, it was found that the main reason entrepreneurs chose to invest in technology was to improve productivity, followed by a desire to increase sales, reduce costs or gain a competitive edge.

As part of the study, respondents ranked the benefits generated by these investments in nearly the same order but were more likely to report wanting those benefits than actually achieving them following an investment.

INTENDED VERSUS ACTUAL BENEFITS

What are the reasons that prompted your company to invest in such technology solutions? What are the actual benefits you have observed from investing in these technology solutions?

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Intended benefits (n=543)</th>
<th>Actual benefits (n=511)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve productivity</td>
<td>82%</td>
<td>74%</td>
</tr>
<tr>
<td>Increase sales</td>
<td>49%</td>
<td>34%</td>
</tr>
<tr>
<td>Reduce costs</td>
<td>44%</td>
<td>44%</td>
</tr>
<tr>
<td>Gain competitive edge</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>Facilitate collaboration</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Improve security</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: BDC ViewPoints study, Technology, April 2013.

Understanding the business reasons behind an ERP investment before embarking on the path to acquiring a new ERP system is a critical step for entrepreneurs.

To help identify the business reasons behind the need for an ERP system, entrepreneurs should look to four fundamental aspects of their business:

1. What are the mechanisms your organization uses to create value for customers and shareholders?
2. What are the ongoing needs and challenges your organization and industry face?
3. What are your organization’s current and future strategic objectives?
4. What benefits do you wish to derive from a new ERP system?

The answers to the above questions should help entrepreneurs identify and validate the business reasons for an ERP investment, in order to make an informed decision.
THE RIGHT TIME TO INVEST

The time is right for Canadian entrepreneurs to invest in an ERP system. In recent years, three factors have converged, creating an opportune climate for entrepreneurs to invest in technology.

Strong Canadian Dollar
Most ERP system providers are based in the United States or Europe, and software licensing fees have dropped considerably in recent years thanks to a strong Canadian dollar. As with machinery and equipment purchases, Canadian entrepreneurs should consider taking advantage of the strong dollar and favourable interest rates to make technology investments now.

Market Competition
Competition among ERP system vendors has never been more intense. The number of providers has increased rapidly in recent years, and they are all working to secure market share and penetrate new markets. The increasing number of vendors has created a buyers’ market for Canadian entrepreneurs looking to make an ERP purchase.

Funding Availability
There has never been more government funding available to SMEs to help pay for technology investments. In addition to BDC’s popular technology financing offer, federal and provincial governments have recently launched a number of information technology investment programs that target SMEs.
BDC technology financing

- Financing for businesses of all sizes
- Term financing with beneficial terms and conditions
- A sound financing alternative to preserve short-term working capital

Visit bdc.ca/techfinancing
(View video)

BDC technology financing

BDC offers flexible, easy-to-access financing to help clients purchase or upgrade information and communications technology. BDC’s technology financing gives entrepreneurs a sound financing alternative that preserves short-term working capital while providing vital capital to invest in hardware, software and consulting services, including system selection projects.

In addition to a fast and easy loan process, BDC’s technology financing offers beneficial terms and conditions to help clients get their projects off the ground quickly.
**BDC CONSULTING’S SYSTEM SELECTION SUPPORT**

Selecting a new ERP system is a challenging and complex process. To make an informed decision, entrepreneurs must invest a large amount of time and effort. Unfortunately, they often decide based on biased, incomplete or inaccurate information.

BDC Consulting’s comprehensive ERP system selection support service aims to ensure your system selection has every chance of success. BDC helps you choose an ERP system that maximizes your ROI and minimizes costs and risks.

BDC provides you with expertise otherwise reserved for large organizations by combining a proven ERP system selection methodology with up-to-date market intelligence, selection tools and an extensive knowledge base compiled from hundreds of projects.

---

**System selection support components**

- **Market intelligence**: Rely on unbiased and up-to-date information about the latest developments in ERP systems, including product functionalities, industry fit and evaluations.
- **Selection tools**: Leverage our system selection tools capable of analyzing the fit and cost of various ERP systems.
- **Knowledge base**: Get access to information, deliverables and lessons learned from a growing database of system selection projects.
- **Selection methodology**: Rest easy in the knowledge that BDC’s proven system selection methodology will support you during all phases of your project.
BDC CONSULTING’S SYSTEM SELECTION METHODOLOGY

BDC Consulting has refined its system selection methodology over years of carrying out system selection projects across Canada. The approach aims to help you make an informed decision on your ERP purchase, based on a deep understanding of your business needs, along with unbiased information about ERP products and implementation services.

BDC’s methodology uses a phased delivery approach with pre-defined activities, deliverables and tools to ensure a consistently successful outcome.

Phase 1
- Gather requirements
  A) Kick off project
  B) Review current state of business and growth strategy
  C) Perform functional requirements analysis
  D) Create request for proposal (RFP)
  E) Develop vendor long list
  F) Distribute RFP

Phase 2
- Evaluate solutions
  A) Review and consolidate vendor responses
  B) Analyze and compare vendor responses
  C) Develop vendor short list

Phase 3
- Select vendor
  A) Organize and facilitate proof-of-concept demonstrations
  B) Select vendor
  C) Negotiate with selected vendor
HELPING YOU MAKE THE RIGHT CHOICE FOR YOUR BUSINESS

In addition to providing entrepreneurs with a structured methodology, BDC Consulting’s system selection services offer entrepreneurs critical insight and findings that make choosing the right ERP system for their business simpler, and help them make a more informed decision. BDC Consulting’s analysis methods and tools allow entrepreneurs to do the following:

1. Align ERP system requirements with their business strategy and vision
2. Assess the fit of vendor solutions with their organization’s needs
3. Estimate the five-year total cost of ownership for any ERP system
4. Quantify the potential level of implementation risk and long-term ownership
5. Identify the shortcomings of any proposed system based on vendor responses
WHY CHOOSE BDC CONSULTING?

BDC’s extensive experience in delivering successful system selection projects can reduce your risks, lower your overall costs and maximize the return on your technology investment. Using an unbiased and impartial selection process, our consultants can guide you through the steps of identifying, evaluating and ultimately selecting the system that best meets your needs. By working with BDC, you are choosing a partner that is committed to your success.

Our system selection support service is a comprehensive offering that reflects BDC’s five key strengths.

> **Experienced professionals**
  - A network of seasoned experts who draw on many years of industry and ERP systems experience
  - The commitment and dedication of an independent and objective BDC consultant who will accompany you throughout the system selection project

> **Proven methodology**
  - A structured approach that draws on years of experience in system selection projects
  - A deep understanding of software selection best practices, industry standards and emerging trends

> **Extensive knowledge base**
  - A repository of system selection project experience and lessons learned spanning multiple industries

> **Powerful selection tools**
  - Decision support tools designed specifically for vendor and software evaluation and comparison
  - Advanced analysis methods to score vendors and identify the best fit
  - A calculator that determines the total cost of ownership early in the process

> **Unbiased market data**
  - Up-to-date information about ERP products, including features and capabilities
  - Independent research about leading ERP systems
LET US HELP YOU MAKE THE BEST INVESTMENT

BDC Consulting’s ERP system selection support service provides independent and unbiased advice that helps you choose the best ERP system for your business.

To better serve you, the services can be tailored to your needs and timelines.

Contact your BDC representative today.