

# Executive Brief

How to Lower Your ERP  
Implementation Costs

by David Clark and Khudsiya Quadri

## Executive Brief

It's no secret that most companies are facing a number of pressures, thanks to a worsening economic climate. This is particularly true for small to medium business (SMB) distributors and manufacturers, which are likely to be hit hard by cash flow difficulties and slow-as-molasses product movement.

That's why many SMBs are considering the acquisition of an enterprise resource planning (ERP) system to help improve their business processes, as well as their control over costs and resources.

Other benefits of ERP systems for the distribution and manufacturing sectors include

- reduction in time and costs associated with warranty and returns processing
- improved communication and coordination among cross-functional teams, including representatives from logistics, production, purchasing, finance, marketing, and research and development (R&D)
- improved visibility into capacity, inventory, and labor
- reduction in delivery time and transportation costs through vehicle-routing analysis

However, SMB distributors and manufacturers are understandably reluctant to embark on an enterprise software deployment without some assurance that they can contain both the costs and the time frame of implementation. And in difficult economic times, they're particularly concerned about the ability to be flexible about changing business requirements on short notice.

Let's face it: there's no such thing as a simple ERP implementation. And unless you have deep expertise in enterprise-scale software implementations, you're well advised to get some outside help.

We'll look at ways you can squeeze value out of your ERP selection process by partnering with a value-added reseller (VAR) for the implementation process, and examine one VAR's approach to delivering that value.

## VARs and the ERP Community

First, what a VAR is *not*:

**A VAR is not an independent software vendor (ISV).** As the developer and vendor of an enterprise software application, an ISV is an expert when it comes to the technical functionality of that software application. That doesn't mean the ISV is an expert in determining how your business processes ought to change in order to adapt to the new software.

**A VAR is not a system integrator.** System integrators ensure that the technical pieces of multiple systems function cohesively. They are naturally invaluable in a troubleshooting role. However, they are not experts when it comes to thinking strategically on your behalf through all the implications of the changes your business will face in adopting an ERP system.

**And a VAR is not a consulting service.** The experience and expertise of consultants can help you save time and resources during your software selection and implementation. Consultants can also guide you through the change management process of software implementation.

However, at certain points during implementation, you'll also need to collaborate closely with a partner who is an expert in the technical aspects of the new software and sensitive to your strategic business needs.

**So what is a VAR?** Enterprise software VARs add features, functionality, or modules to existing enterprise applications, and sell them as integrated systems. VARs can also provide value through such services as customization, integration, implementation, application or technical consulting, training, and support.

## VARs: The Pros and Cons

Let's turn now to some thoughts you should bear in mind when considering partnering with a VAR.

### Pros

#### ***Regional presence***

VARs can provide significant value and expertise in countries where they exhibit better-attuned localization skills and cultural awareness than the vendor.

#### ***Depth and breadth of knowledge***

Thanks to extensive experience working in particular industries and vertical segments, VARs are often keenly aware of the pain points that affect your business—and are knowledgeable about best-practice approaches to addressing those pain points.

#### ***Deep product expertise***

VARs typically build their business around implementations of particular products. Paradoxically, they may even have deeper product expertise than the vendor, particularly in a volatile landscape of ERP vendor mergers and acquisitions. Caveat: In order to maintain a viable business model, many VARs partner with multiple “master vendors,” which can result in their becoming “a jack of all trades and master of none”—in other words, they may be experienced with a number of software products, but expert in none.

### ***Understanding of small-business concerns***

Tier-one vendors are increasingly targeting their solutions at the SMB market, but “SMB-sensitivity” doesn’t necessarily translate into significant experience with SMB implementations. On the other hand, VARs not only have experience working with SMBs—they generally are SMBs themselves, and are more likely to understand your business concerns and challenges.

## **Cons**

### ***Potentially limited ability to perform software modifications***

Depending on the agreement between a VAR and its vendor, the VAR may be prohibited from making modifications to the source code of the vendor application. This is a concern if you need functionality that cannot be provided either “out of the box” or via product customization. However, note that modifications to the source code may not be supported by the vendor (regardless of whether they are made by the vendor or the VAR). And in any case, you should always approach source-code modifications with caution—these modifications spell “complications” when it’s time to upgrade your software.

### ***Less financial security than large software vendors***

Naturally, there’s always some risk inherent in partnering with a smaller organization. Will your VAR still be around when it’s time for you to upgrade your system? Again, *experience* should be your watchword. Even in uncertain economic times, there’s a world of difference between an experienced VAR and a fly-by-night. That’s why it’s incumbent upon you to perform due-diligence research and analysis regarding the financial viability of not only the VAR (see *Ten and a Half Questions to Ask Your VAR before You Sign a Contract* at the end of this brief), but also the vendor behind it.

### ***Fewer resources to devote to software implementations***

Obviously, a VAR may not be able to commit resources (e.g., time and labor) on the same scale as the vendor it represents. On the other hand, it is by no means given that any particular vendor will commit to any large quantity of resources either.

It’s worth stressing that these cons are not necessarily deal-breakers, particularly if you’re an SMB wholesaler seeking a “fast-path” implementation.

## **Fast-path Implementation: Is It Right for You?**

Fast-path implementations typically curb two of the scariest implementation concerns for SMBs: the length of time, and the cost. In order for this approach to work, the software application must be as predefined and preconfigured as possible. To decide whether this approach works for you, you must weigh the advantages and disadvantages.

## **Disadvantages**

### ***Restricted flexibility***

In the case of some fast-path implementations, you risk making trade-offs for the sake of expediency, including functionality, customizability, platform options, solution scalability, and extensibility.

### ***A fixed set of hardware and software options***

If the options offered by the new application match your environment, then so much the better. If they don’t, your IT organization has a new set of support requirements.



### ***Change management challenges***

With most fast-path programs, you're adopting preconfigured business processes, with limited options for changing them. This means that your people and procedures must change to match the software. Furthermore, some organizations will not be able to make use of this quick approach if they cannot eliminate particular steps that are specific to their internal business processes and not supported by fast-path offerings.

### **Advantages**

#### ***Guaranteed implementation cost and schedule***

Your software implementation process may be measured in months or weeks, and in thousands of dollars, rather than in years and millions of dollars.

#### ***You gain the benefits of the new system sooner***

SMBs typically cannot afford a lengthy delay after the decision has been made to implement a new ERP system. After all, the goal of selecting a new system is to make your organization run more efficiently, and, as an SMB in a rocky economy, you generally cannot afford to wait more than a few months for that to happen.

#### ***You benefit from industry best practices developed by experts***

Enterprise software is configured to reflect what the vendor considers the best practices in your industry. It makes sense to take advantage of the thousands of labor hours (and significant monetary resources) the vendor has spent developing and fine-tuning these.

To explore fast-path implementation in action, we'll look at the approach of one particular VAR.

## **About Corning Data Services**

### **Who Is Corning Data Services?**

In addition to software applications and hardware, Corning Data Services (CDS) offers implementation and consulting services, including an approach it calls "The Total Solution," which is its version of the fast-path implementation approach discussed above. CDS provides services to SMBs in the manufacturing, distribution, financial, and human resources (HR)/payroll sectors.

According to CDS, it has 250 to 300 customers across multiple industries. Supported verticals include manufacturing, wholesale distributors, retail distributors, third-party logistics (3PL) providers, and other general distribution and warehousing verticals.

### **CDS's Rapid Implementation Methodology**

CDS's rapid implementation methodology incorporates planning, requirements-gathering, workshops, training, implementation, and issue resolution stages.

CDS has taken pains to address the pitfalls of most rapid implementation methodologies, however, by incorporating what it calls "guided flexibility" into its approach. This option lets you take advantage of business process modeling templates, and is well worth considering if you're looking to implement enterprise software without the effort of modeling, mapping, and modifying your business processes from scratch—which carries its own risks and rewards. After all, enterprise software implementations are nothing if not huge in scale, and you may find that too much flexibility leads you into time sinks of disastrous proportions.



There are a few other points that distinguish CDS's approach. First of all, CDS's methodology incorporates a pilot environment for the application. Simply put, this means creating a prototype of the system you will have in the future. This is more comprehensive than the usual demo provided by fast-path implementors, and differs from a testing environment (also a standard element of fast-tracking). The result is that rather than working with hypothetical data, you will be working with the real data your organization uses on a day-to-day basis.

CDS's "go-live" phase incorporates data validation activities. This is the point at which final data conversion is performed and tested (data conversion involves "translating" data from the language of your legacy or preexisting system to the language of your new system). The key difference with CDS's approach is that its validation involves not only static and manual data sets, but also dynamic data sets.

When we talk about dynamic data, we are referring to any data that frequently changes (e.g., order quantities, delivery dates, product scheduling). This is different from static data, which cannot be changed or which changes infrequently (e.g., product cost, bills of material, financial data) and manually input data, which is created on an as-needed basis by human intervention (e.g., order adjustments, material shortage, pricing adjustments).

In most rapid implementation methodologies, dynamic data is not validated (it is notoriously difficult to incorporate, because you may not always be able to pinpoint the source of that data).

A final differentiator concerning CDS's approach: CDS conducts periodic user and technology reviews after go-live, which allows the VAR to communicate any new technological developments or product changes to the adopting organization.



## Conclusion: Ten and a Half Questions to Ask Your VAR before You Sign a Contract

1. Do you have other clients in my industry vertical?
2. Can you provide references? If so, can I contact them?
3. What makes you different from other VARs?
4. How much experience do you have with this solution in my industry vertical?
5. What are the pitfalls of implementing the solution? Can you guarantee a flawless implementation?
6. Will you support us during the requirements-definition, implementation, and post-implementation stages?
7. At any point, do we risk losing business-critical data or processes as a result of implementing this solution?
8. What kinds of training do you provide during the implementation process (e.g., "advanced-user" training, end-user training, training manuals...)?
9. What costs are associated with the actual implementation (software, hardware, and associated resources)? How long will it take before we see return on investment (ROI)?
10. What is the timeline for this project through to go-live?
11. Do you provide a pilot ("prototype") installation?

Note: Question 5 is a trick question. If anyone tries to guarantee trouble-free enterprise software implementations, look elsewhere. They just don't exist.

## About the Authors

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