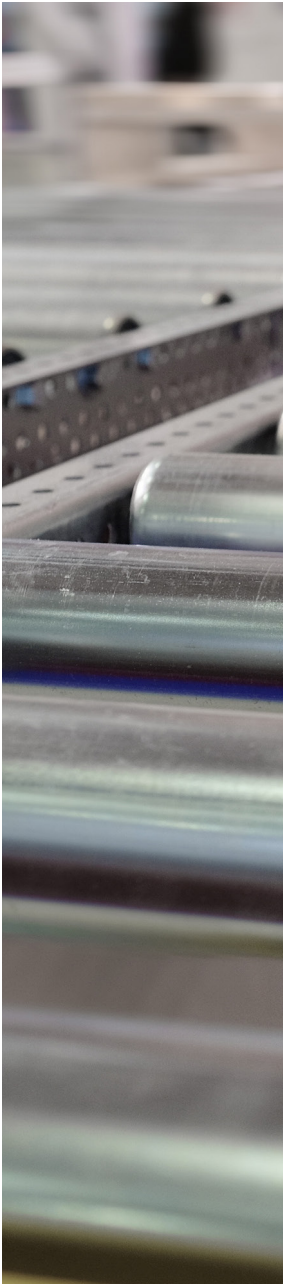# 10 Critical Questions
Small Manufacturers Should Ask
Before Buying a Cloud-based
ERP Solution

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Looking at implementing new software or upgrading your current software?

Over the last few years, Software as a Service (SaaS) has become a compelling and credible delivery model for business applications. SaaS, also referred to as "on-demand" or "cloud computing," eliminates many of the barriers that keep companies from implementing or upgrading their software. More importantly, it enables you to focus on your core business operations instead of managing IT. So cloud-based ERP may be right for your business, but where do you start? This white paper contains 10 questions to ask when considering a cloud-based ERP solution.

First and foremost, any cloud-based ERP solution needs to meet your business operational and process requirements on a feature/functionality level, so your first questions should be:

1. Does the solution support your manufacturing process?

Most ERP solutions don't support the specific needs of manufacturers. It's important to determine that the solution not only supports manufacturing, but also your specific manufacturing type. Is your business a make-to-order, make-to-stock, or mixed-mode manufacturer? Does the system have the necessary functionality to help you easily and effectively manage job costs, engineering, inventory, scheduling, and production? Will it support your strategic initiatives (e.g., lean manufacturing, improved quality)? Can the vendor demonstrate where it will help you lower operating costs and help increase profits?

2. Can the solution be easily modified to meet your business's specific processes?

No ERP solution comes out of the box and perfectly meets every organization's needs. While one that has been specifically developed for manufacturers and comes delivered with built-in "best practices" may address the majority of your requirements, there still are processes that are unique to an organization. Many cloud-based ERP packages still run on old technology, with rigid platforms and architectures that cannot be easily customized without cumbersome tools or costly source code changes. This, of course, diminishes the value of the ERP system. The solution should have embedded tools that are easy to use (meaning, not developer tools) for modifying or extending the value of the system.

3. How does the solution support the manufacturing/shop floor?

The shop floor is the heart of a manufacturer. The solution needs to tie what is actually happening on the floor back to the office. It needs to provide those who are actually doing the work the ability to enter data and share it in real-time with the rest of the company. The flow of data is critical for accurate job costing, managing jobs, inventory control, and tracking labor. All of which support effectively managing costs and improving margins.

4. Does the solution provide functionality for the broader organization?

The solution should support the "extended enterprise." Some solutions only provide functionality for specific areas of a business (e.g., customer relationship management, financials, production). Look for a solution that provides functionality for your organization as a whole. A comprehensive, integrated solution eliminates the need for separate applications, spreadsheets, and "work arounds." More importantly, if the solution is built on a common database, entered data flows through the system from step to step, streamlining processes and providing improved customer, operational, and financial visibility across the organization.

5. What performance management and reporting tools are delivered as part of the solution?

A principal concept of ERP solutions is that they should simplify the process of taking raw data and turning it into useful information. A good solution should provide embedded and ancillary tools that are easy to use and can pull together data from across your organization. From operational reporting, to tracking key performance information, to supporting advanced performance analysis, the included tools should support real-time decision making, optimally managing operations and strategic planning.

Next, as the vendor is going to be providing the cloud-based ERP solution in the SaaS model, there are a few operational and contractual aspects you're going to want to discuss and get assurances from the vendor. So your next set of questions should be:

6. What assurances does the vendor provide in the area of pricing protection?

SaaS solutions are traditionally sold on a subscription basis over a term, (e.g., on a per-user, per-month basis for 36 months). The license model simplifies licensing software, as there are no large up-front license fees, and typically everything is included in the fee (i.e., software, hardware, support, training resources, and on-going system maintenance). However, one item that often goes overlooked is pricing protection. Be sure to address what the subscription fees could be at the time of renewal. A good vendor will cap any potential increase for a subsequent term. This ensures that there won't be a dramatic price increase at the time of renewal.

7. What assurances does the vendor provide in the area of business continuity?

As the vendor is going to be "hosting and managing" the cloud-based ERP solution you are going to want assurances that the system is up and running when you need it. The first step is understanding from where the system is being hosted. Is it from a credible data center or out of a closet at the vendor's office? A quick way to verify this is to ask if the data center is SSAE 16 certified. Next, ask about their data backup policies, system redundancies, and support level metrics. You are going to want your data backed up and stored online in multiple locations (preferably different geographic locations). The system should have redundancies built in, so if one part of the system fails, the services will continue on seamlessly.

8. Does the vendor provide a path to move the system on-premise?

A cloud-based ERP solution provides numerous benefits and is very much a long term option for manufacturers to run their businesses. But circumstances change, organizations evolve, and you may find yourself years down the road looking to bring the system on-premise (bringing it in-house to be managed by your IT group). Most cloud-based ERP vendors don't offer this as an option, but it is still worth investigating. ERP systems that are built on an advanced architecture can accommodate this. Often it comes down to the vendor's capabilities (i.e., being able to operationally support and deliver product to customers). Also, it is important to inquire about the costs to incorporate the system on-premise. A good vendor will protect the investment you have made in their SaaS solution (e.g., pricing discounts).

9. What happens at the end of the relationship? How do you get your data back?

Breaking up is hard to do. If you eventually decide to cut ties with your SaaS vendor, you're going to want to do so as smoothly as possible. Some vendors charge termination fees, some quietly auto renew contracts, and others simply make life difficult. Be sure to look into the vendor's contract terms regarding termination, and know up front what to expect if you decide not to renew for another term. In addition, you're going to want your data back without any hassles and surprise fees. Be sure to look into the policy of data ownership and the process of getting your data back, as well as any associated costs.

10. What is the vendor's track record? Do they have a long-standing, transparent history?

Finally, trust and transparency are important in any relationship, maybe more so with cloud-based ERP as the vendor is hosting and managing the customer's software. Therefore, do some due diligence. How long has the vendor been around? How many customers do they have? Do they have a history of serving your industry? Are they stable and profitable? Of course, this is easier if the company is public and the information is readily available.

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