
SELECTING A BUSINESS SOFTWARE PACKAGE (ERP) FOR YOUR FOOD BUSINESS:

A guide for family businesses preparing for growth

“Research on family businesses suggest that only about 30% successfully transition to the second generation; about 12% successfully transition to the third generation; and only about 3% make it to the fourth generation”

-Don Schwerzler, founder of the Family Business Institute

Today, more than ever, advances in technology and global competition are forcing business of all sizes to do everything they can to meet the needs of their customers. And family-run businesses often feel the greatest impact.

Owners of family businesses, including family-run food businesses, welcome these changes because they now have access to new markets, that were once the purview of only large companies. However, they also have to realize that to compete with large companies they also have to deal with the same scrutiny that large companies undergo..

■ IDENTIFY THE CHALLENGES

Family businesses face many of the same challenges as medium-sized and larger companies including pressure from competitors; the instability of the economy; the need to attract and retain new customers; and the need to cut costs and increase profitability.

Family businesses also have other constraints including limited access to financial resources and higher operating costs. Family businesses that have larger companies as their customers and/or suppliers have to adopt EDI (electronic data interchange) or other systems to connect with those enterprises and exchange documents in the appropriate format.

These factors can slow down growth and complicate business processes.

With all these things to think about, family business owners increasingly are asking an all-important question: Do we need to implement ERP (business software system)?

Typically, that's a tough question for family business owners because the common perception is that implementing and maintaining an ERP system is expensive, time consuming, and too complex for a family business.

However, the good news is that advances in technology have also altered the makeup of ERP systems. And many vendors offer ERP systems that are easy for family business to implement, use, and maintain. And these systems give family-run businesses the tools they need to compete with the larger companies without breaking the bank.

ERP doesn't have to be taken on as a big bang approach. Some companies just don't have the capital investment for a full blown ERP system. One option to consider is building your foundation first. Many family businesses start with the basics and implement additional functionality year after year to ramp up and moderate the amount of change management that occurs with a new system.

While implementing a full ERP system has faster payback, your family business can benefit from implementing an ERP system using a phased approach. For instance, phase 1 of the project could incorporate General Ledger, Accounts Payable, Accounts Receivable, Finished Goods Inventory Management, and Sales. This type of phase 1 project is less costly to implement, less intrusive to the organization, and gives your company a stronger foundation to build on.

■ FOCUS ON YOUR VISION AND YOUR NEEDS

If you're thinking about investing in an ERP system, the first thing you should do is step away from the software functionality and clarify your vision and your needs because as a family-owned food business you have your own unique characteristics and your own requirements.

It's no secret that as a family business you have fewer financial resources available for IT projects, and you're more susceptible to the volatile economy as well as to the consequences of flawed business decisions. That means you have to be absolutely sure you're investing in the right ERP system.

■ BEGIN YOUR INVESTIGATION

Selecting the right ERP system is a challenge for any organization - and family-run businesses are no exception. Although the project is smaller than and not as complex as an ERP project for a larger organization, you still need to be fully engaged and give it your ongoing attention.

There are a number of questions you need to ask before you decide which ERP system will best match your needs including:

- **Which system will be the easiest and least expensive to implement and maintain?**

Keep in mind that sometimes the costs of installation and support will be much higher than the cost of the software. It's important to note that cheaper doesn't always mean better but, then again, a more expensive ERP system might not have all the features you need, either.

- **How easily can the software adapt to your changing business processes?**

As your business grows processes inevitably change so you need to ensure that your ERP system can change with it.

- **What do users really want—an easy-to-use interface or robust functionality?**

In the best of all worlds, an ERP system should offer both, but that's not always the case. So you need to decide if you want a more user-friendly system or a proven ERP system with a lot of functionality. The ERP system you choose should also let you add new functions as you need them and should be able to change as your business and/or industry changes.

- **How easily can you move your data from your legacy system to an ERP system?**

The ERP system you select should give you the option of easily importing and using your legacy data.

- **How many users do you think you'll need?**

Licensing fees can vary drastically and understanding what your needs are helps you get a more accurate sense of cost when you talk to vendors. But make sure you're comparing apples to apples. Licensing fees can be based on named users, which means how many unique users will be using the system, or on concurrent users, which means how many users can be on your system at one time.

- **What type of technology platform do you want to be on?**

There are various types of technology platforms that you can run—on-premise versus software as a service (SaaS); free and open source software versus proprietary software; and old technology versus new technology.

An on-premise implementation means that the software is installed on a server in your company, and users access that server, while SaaS/on-demand vendors manage the software and your data on their own servers, so users connect via the Internet.

In general, free and open source software is software that's provided under a license that allows you to freely study, modify, and distribute the software's code. With proprietary software, on the other hand, usually only the vendor and its partners are able to see, modify, or distribute code.

Usually, there's still a cost to free and open source software. Just as with proprietary software, you'll typically have to pay the provider for support and maintenance. But if you can handle customizing the source code yourself, you could choose to use an unsupported version, although you'll most likely have to pay the vendor if you ask for support.

There are ERP systems on the market that haven't changed much since the 1980s when they were first launched. And many ERP systems run legacy software that may look swanky but they're actually running on antiquated technology. However some can still be very efficient, especially for family-run businesses.

On the other hand, the use of new technologies is increasing in companies of all sizes. So it makes more sense to ensure that whatever technology you select has a solid technology roadmap that builds out for at least ten years. This doesn't mean it will be simply maintained for ten years, this means that there is actual research and design investment dollars going into the product.

■ SELECTING A VENDOR

It can be confusing to try and determine which ERP vendor best meets your needs. So you should create a list of criteria that addresses your main concerns. Then you should evaluate the ERP vendors against those concerns.

The three things you absolutely must do while evaluating ERP system vendors are:

1. Make sure the vendor truly understands your business needs, versus just your software functionality requirements.
2. Ask each vendor for a live demonstration of its ERP system in a real-time business environment using your real business data;
3. Evaluate the vendor's experience in the food industry and ask the provider for references of successful ERP implementations in food companies;
4. Consider the vendor's policies for support, updates, version upgrades, etc. after the initial implementation.
5. Make sure you can "work" with your potential vendor; this is a long term relationship, and as with any business it is important that you can work together through some of the pressure points you will surely encounter during a software change.

You should also consider such factors as the vendor's credibility, stability, financial viability, track record of successful implementations as well as its range of products.

Try to find a partner instead of service provider. Companies that truly succeed in ERP are companies that want to see their customers succeed. Adding true business value is what happens with a good ERP system.

The best way to truly get a sense of whether a vendor is a good fit is to look for a company that is working with companies like yours. Resources like case studies are invaluable because no matter how much marketing fluff is built into them they are about real companies. If you find a case study about a business that's similar to yours, you can often ask the vendor if you can speak to that customer.

Determine your top five goals or challenges—the reasons you're looking to implement an ERP system—then send a quick email to the vendor candidates. The answers should let you know whether it's worth researching those providers further. A reputable company should be able to answer you within one business day.

In your email consider defining the following information:

- Your business model, i.e., whether you're a manufacturer or a distributor
- Estimated number of users
- The size of your business (revenue or number of employees)

Don't be concerned about disclosing too much information—more information will speed the evaluation process up significantly. And that information will help the vendor determine if it has a solution to meet the needs of your particular business. It is also

completely fair to ask for a mutual non-disclosure agreement, sometimes sharing “private” information is scary, and a simple agreement can eliminate those fears.

You might also want to consult with consulting firms that can give you more insight and guidance into the selection process as well as the software marketplace. You can also do a search for Internet directories of software vendors and their products so you can compare them.

You can also search for user forums to see what others are saying about particular vendors and products. In addition, try consulting industry reports and white papers, as well as blogs and websites of industry experts for information.

■ **WHY JustFoodERP?**

JustFoodERP works with food processors and distributors. And because we derive 50% of our business from family-run companies, we understand the challenges and we understand the strain of staying profitable while planning for the future.

With the highest degree of fit out of the box in the industry, using our software means no customization, no risk, and easy upgrades. We speak your language because we work in your industry. We hire industry experts to work on your implementations and we have a Customer Advisory Council comprised of your peers to help drive our product direction. Our technology is powered by the best in the business, Microsoft Dynamics.

JustFoodERP provides a full breadth of functionality integrating all elements of your business including sales, inventory, purchasing, planning, forecasting, manufacturing, warehouse management, shipping, and quality management.

We do this by focusing on the specific needs of food processors and distributors. Because it's powered by Microsoft Dynamics, JustFoodERP is instantly recognizable to your users because it's a Microsoft product. It also speaks to all the technology your company is using today including Outlook, Excel, Word and backend tools like SQL Server, and SharePoint

Our customers' continuous improvements are key. With JustFoodERP, you'll gain access to a product roadmap and upgrade path that allows you to find and make improvements in your business long after your initial implementation. Partnering with Microsoft Dynamics means that we offer all the benefits of working with an industry specific software provider and we have the backing of the largest provider of business software in the world.

JustFoodERP's implementation record is 97% on time and on budget. We take the risk out of the equation by eliminating the need for risky customization. We've built an implementation process that allows your family-run company to implement an ERP system without taking an eye off your business. After all, what good is business software if it doesn't help you improve your bottom line?

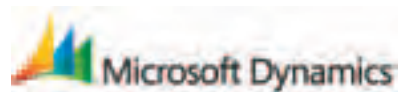
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