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10 things you should know about licensed software

For companies seeking to implement new enterprise resource planning (ERP) software, an off the shelf, licensed system can often appear to offer significant benefits. However licensed software can be notoriously difficult to integrate into your business and cost and time over-runs are both very common.

1 Likely to be more expensive than you think

Licensing can be a minefield. Make sure you know what you are buying, and what the costs of scaling up your solution in the future are likely to be.

For example, buying licensed ERP software once does not mean it can be duplicated or shared on all your computers. Also access rights may only be available for as long as you continue to pay maintenance to the vendor who provided the product.

You also need to take into account the costs of future enhancements and mandatory systems upgrades, which can often be significant.

2 Can Boost Customer Satisfaction

With a licensed ERP solution, all data is generally consolidated into a single system. This means that everyone in your business and your customers can constantly have access to current information like pricing and stock levels in real time, improving customer engagement and enabling you to provide better customer service.

3 Existing Processes may need to be modified

Customising 'off-the-shelf' licensed software to fit your existing business processes is difficult, often costly and can significantly increase the risk of delays and even failure of your project.

Using the software in its standard form is the simple solution, but you will almost certainly have to modify many of your business processes to fit around the off-the-shelf solution you have chosen. Because your new ERP will almost certainly impact on all areas, throughout your organisation, you will need to allow significant time and resources to develop new procedures, re-train staff and provide managerial and technical support.

4 Will take longer to implement than you think

Even implementing a standard ERP solution will take longer than you think. If you have to customise the software, it will be slower and even more painful. Allow 6 - 12 months to install and test and more time to migrate from the old to the new solution. You may have to run both systems in parallel for a while too.

You'll also have to plan to commit existing staff to the new project away from their normal day-to-day activities. Can you be sure your company can withstand the loss of these people from BAU?

5 Application source code and data may not be fully accessible to you

6 months after you've finally got your new system implementation complete, is no time to find out that your cloud based ERP software does not allow you access to the raw data sets that you have input into the system. Always check that you have proper access to your own data and that you can retrieve what you've put in.

It is the same with source code too. If you can't get at it, your IT people won't be able to modify or customise the system.

6 Can Improve Decision Making

All ERP systems are very good at providing cross-organisational information in a clear and transparent manner. And because they do it in real time, everyone across the whole business gets to know what's going on instantly, whether its today's sales figures or next week's retail estate restocking requirements. As a result, managers can collaborate better, make more informed decisions and put them into action more quickly.

7 Should be aligned to your business strategy

The whole reason for implementing a new ERP should be to help you achieve your overall business strategy with faster, better information leading to the delivery of more agile, customer focussed products and services. To get the optimum ROI, your ERP solution should always be closely aligned to your business strategy. It is vital that sufficient time at the commencement of the project must be given to gathering the business's detailed requirements to ensure the best ERP solution is chosen for your company's strategy.

8 Can be very expensive to customise

Despite the claims of licensed vendors, it is very rare that an off-the-shelf software solution can be seamlessly integrated with your existing structures and processes. Most ERP solutions will require significant tailoring to fit into your business and these customisations and the associated consulting charges, which often run to more than £1000 per day, can be exorbitantly expensive, costing many times the headline cost of the software.

9 Is configurable, but allow plenty of time

With the right understanding of your business requirements, good ERP software can be configured and tuned to provide the intelligence and enhanced business processes to make your company a commercial success. Be aware though, it can often be difficult to react quickly to changing market conditions, as modifications generally need to be deployed in system releases that only occur at 6 monthly or longer intervals.

10 Quantifying the benefits can be difficult

Implementations are high cost and once complete, it can be difficult to quantify the return you have received on your investment. Before committing large sums of time and money to the implementation of a new solution, you should set the benchmark you are going to use to measure your success and identify the methods you will deploy to establish if success have been achieved.