Approach your ERP Project With a Plan

A 7 step guide to make sure you get the best result for your business

HIGHLIGHTS

- Identifying Your ERP Solution Requirements
- Defining Your Selection Criteria
- Structuring Your RFP
- Tips and Recommendations



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How to Approach Getting a New ERP System

A good enterprise resource planning (ERP) solution should have an impact on every aspect of your business. These highly sought-after enterprise applications help manage and control activities including inventory, planning, purchasing, supply chain management, sales, forecasting, distribution and everything in between.

There are countless different ERP software solutions available. It is critical that you make the right ERP choice for your business. That means choosing an ERP solution that fits your business and not the other way around. Knowing exactly what you need or don't need can be challenging and completely overwhelming.

That is the reason why we built this easy to use seven step guide on how to choose an ERP system. Packed with tips and recommendations, we hope you will find useful.



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1. Evaluate the benefits of a new ERP system

One of the biggest obstacles to getting a new system is decision maker buy-in. Long-time staff can become accustomed to inadequacies in the system and used to the way things work in the business. Every few years it is a good idea to take stock and evaluate your business, its processes and software.

You will need to build a case for a new system. Typically, this means identifying areas that are causing you and your staff frustration or costing you money through inefficiencies. It could also be a lack of functionality which is hampering your ability to compete in business today.

Start by checking for key signals that your ERP solution no longer meets your business requirements.





If your ERP solution:

- Was implemented before your business expanded into new areas
- Has become sluggish as you have grown
- Does not help you meet current compliance requirements
- Delivers a poor user experience
- Requires you to do the same work more than once
- Requires workarounds using spreadsheets to achieve your desired results
- Does not provide end-to-end real time visibility throughout your business
- Incurs spiralling costs
- Is unable to integrate with the software you need to do business today

then it is likely that you could see benefits that justify the cost and effort a new ERP implementation incurs. Use these points to build a compelling case as to why your business would benefit from a new system, and sell the idea to other decision makers and stakeholders.

Alternatively, have all decision makers evaluate the business independently using a tool like the **Is a new ERP System worth it?** checklist. This may open their eyes to the opportunities for improvement, and you will be able to focus on addressing the biggest ones.

TIP: It is important to get executive buy-in from the beginning. An executive, such as the CEO or the CFO, needs to understand and champion the value message of an ERP solution replacement.

2. Compile an ERP solution requirements list

Starting the process

Once it has been agreed that a new ERP system is required, the next step is to identify your business' requirements.

ERP requirements gathering is a lengthy process which requires patience, attention to detail, business knowledge and a methodical approach.

What to consider

Keep in mind that an ERP's greatest advantage lies in comprehensive data analysis, thorough and accurate reporting functions, and multiple process automation capabilities. Instead of focussing on all the latest and greatest new features you want, take a step back and:

- Identify areas where your current ERP solution is falling short, for example: bottlenecks in your supply chain, inability to integrate with your e-commerce system, lack of support for your remote workforce, etc.
- Map out key processes that your new ERP solution should support
- Forecast your expansion and growth plans and list the functionality you will need to support these.
- Find out what reporting and metrics are the most useful to you when running your business.

Make sure you involve your organisation's frontline users from day one. This will help avoid biased definition of requirements as well as foster buy-in for the new system. If you're going to invest in a system, you want everyone to buy-in. Asking users what they would want a new system to do for them immediately creates buy-in as it allows them to think of solutions to problems and opens them up to new ways of doing things.

Document and understand the processes that will be impacted by the ERP solution upgrade. For example, if employees are used to extracting a specific daily report, will they still be able to? Even the smallest of tasks that form part of their daily operation should be considered, and this can only be achieved by involving all levels of employees.



Creating the list

Your requirements list will serve as the basis for all ERP vendor discussions, solution comparisons, the final contract language, and your vendor relationship going forward. It is important that you get it right.

The easiest way to create the list is in a spreadsheet, with your requirement in one column, the priority, the level of existing functionality, and notes in the following columns. For example:

Requirement	Priority	Existing Functionality	Notes
Do we need a Cashbook Module or Multi-currency Cashbook functionality?	5	Partial	
Do we need to do recurring billing or need to automate annual escalations and contract renewals?	3	None	

To help you with this process we have compiled a comprehensive **ERP requirements checklist**, covering all the areas of your business. You will be able to select and expand on the key features your organisation will need from the ERP solution

TIP: Remember, not all your requirements will be process and functionality focused. For example, you may need a system that is mobile compatible, runs on a specific operating system or is local to your business, so that you can get the support you need, when you need it.

3. Shortlist potential ERP vendors

This is one of the biggest steps during the ERP selection process. There are a lot of ERP vendors out there, so shaving them down to a shortlist can seem overwhelming.
To help turn your long list into a shortlist, do some preliminary research to see which ERP solutions could meet your needs:

- Online research.

  You can do most of your research online. All ERP vendors have websites with comprehensive information about their company, ERP solutions and possibly even success stories. Look for reviews relating to the vendors' implementation success track record, industry expertise, customer service and long-term support.

- Schedule phone calls with the different vendors.

  During these calls, ask questions, share some of your top business requirements and gather information about the company and their solution.

- Provide a request for information (RFI) to them.

  The RFI should outline your company's most important ERP requirements as well as your short- and long-term goals. Ask for replies within a reasonable timeframe and compare your responses.

TIP: Ensure the ERP vendors are familiar with your top requirements. If the vendor is not familiar, they may not have any hands-on experience and understanding in overcoming your business or industry challenges.





4. Publish and send out a request for proposal (RFP) to shortlisted vendors

The RFP is structured around the list of items assembled during your ERP requirements gathering, so the good news is that most of this step has already been completed. Now, all you need to do is:

- Finalise and publish a final list of key software requirements
- Finalise a shortlist of ERP vendors you believe could meet them

Your RFP documents will outline your list of requirements, and allow recipients to explain how their ERP solution can meet them. The more structured and detailed your RFP, the more helpful the responses will be.

TIP: Ask vendors ***HOW*** they address each requirement. Can they address it with standard functionality, or does it require customisation or a third-party bolt on?

How to structure your RFP

An RFP usually consists of 2 documents; a word document (project specification) and a spreadsheet (requirements spreadsheet). The project specification contains details about the project, while the requirements spreadsheet contains a detailed list of the required functionality for your business.

Project Specifications

1) **Summary of ERP project purpose**

   Include background information about your company, why you need a new ERP solution, which departments or business units will be using it and what processes it should take care of.

2) **ERP project timeline**

   Indicate when you plan on making a decision, as well as your implementation timeline.

3) **ERP solution budget**

   Request that the financial conditions to provide the proposed solution be specified, including licencing costs, annual maintenance or licence to use costs, implementation estimates, ongoing support and training costs, as well as payment terms.

4) **ERP vendor experience and track record**

   Request information from the vendor about their experience, specifically in your industry, their implementation success rate and the services they provide. You could also ask for client recommendations.

5) **RFP Response**

   Include a deadline date for the return of responses to your RFP. Specify whether you want printed and/or electronic copies of the response.

Requirements Spreadsheet

In this spreadsheet you provide a list of the technical specifications you require broken down by business unit. This list is a more detailed version of your requirements list where you go into more depth about each requirement.

The key columns to include are:

- Requirement
- Mandatory/Discretionary – Features which are an absolute requirement should be noted as such to avoid wasting both the vendor's time and your time if that requirement cannot be met
- Solution Implementation (dropdown list to select from): Native/out of the box, 3rd party integration, and labelled integration, customisation, or not available
- Explanation/Notes - Vendors may want to explain their solution, for example if there are multiple options available, or if they have a partial or more extensive solution than required

Requirement	Mandatory/ Discretionary	Solution Implementation	Notes
Cashbook functionality with multi-currency.	Mandatory		
Ability to do recurring billing.	Discretionary		

Once the completed spreadsheets are returned, the next step is to assign the solution implementation levels a value, for example 10 for native functionality, 0 for no functionality. You should also have a column listing the priority of the feature to your business.

To encourage honest vendor answers, we recommend you don't include this priority list as part of your outgoing RFP. Multiply the priority of the solution by the solution implementation level to get a rough idea of the overall fit of the solution.

TIP: Allow ERP vendors some liberty in at least one section of their response. There may be a critical project variable which has been overlooked, or a feature they believe would solve one of the outlined process inefficiencies.

5. Evaluate vendor RFP responses

It is important that you and your selection team draw up a comprehensive evaluation scorecard that provides a detailed breakdown of every function and capability. This will help you to thoroughly and accurately evaluate and compare the different ERP solutions. You should also assess using a consistent set of criteria, e.g. supporting user needs, improvement of internal processes, cost and flexibility.

Once agreed, have the team read through the RFPs and score each out of ten against these criteria. Add up the scores and schedule a meeting to discuss the five highest scoring ERP solutions and further assess their technical and functional fit. You should then aim to cut your top five down to a final three.

Once you have decided on your final three solutions, it is time to invite those three vendors to demonstrate their proposed ERP solution to you.

TIP: You might want to prioritise some requirements over others and select an ERP solution that achieves top scores for your key requirements but has a lower score overall.





6. Invite vendors to demonstrate their proposed ERP solution

Welcome to the ERP Demo Stage – the final showdown, where you judge each ERP vendor against your needs.

Make sure you have all the key decision makers or department heads from your company present at the demonstration.

You should include:

- ERP evaluation and selection project manager
- Your executive sponsor
- Heads of departments and business units
- Representatives from all key user groups

The demonstration should address your business requirements as described in your RFP. You could supply each vendor with a small set of real data beforehand. This will also help make the demonstration more relevant to those attending.

Allow vendors adequate time to prepare for these demos. You want them to be well prepared. Your company is unique and the demo should be as well.

Vendor demos are designed to provide your team with an in-depth look at functionality, and give your team the opportunity to ask questions. After each demo, your selection team should evaluate the software's ability to address each business requirement. If the vendor failed to demonstrate a requirement, mark it accordingly and don't just take their word for it.

It is imperative to see your company's end-to-end, "day in the life of" processes, while still allowing the vendors to incorporate their bells, whistles and value adds.

See the **9 Questions to Ask at an ERP Demo** for a list of questions you should be asking at the demo.

Evaluate ERP software demos

Follow a similar process to the one for evaluating RFPs outlined above – Ask your team to score each vendor out of ten, based on how well they met each requirement. Add the scores, and then arrange a follow up meeting to discuss.

You might want to weight some requirements higher than others and select an ERP solution that achieves top scores for your key requirements but has lower scores overall.

Again, this should consider the differentiator requirements, but should also give a wider sense of the solution operation, user interface as well as “look and feel” and ease of use.

TIP: Expect a personalised demo. When a vendor does not invest time in personalising your demo, you can expect the same amount of effort will be put into your ERP implementation.



7. Make a final decision

After all of the homework, preparation, research and evaluation, the time has come to make a decision. Should one solution stand out head and shoulders above the others, this would be the logical choice. There could, however, be two or more close contenders, in which case how do you make that final choice?

Ultimately, your decision should be based on the following three factors:

1) Your assessment of the effectiveness of the software solution

- Is the solution an exact fit for my business? There is a huge gap between "works well" and "works perfectly".
- Does the solution align with the organisation's strategic direction?
- Consider non-transactional criteria, such as, how difficult or costly are upgrades, or third-party integrations?

2) Economics of the solution purchase

- The closer the performance evaluation scores are, the more important the role economics play in the decision. On the other hand, if a software solution is undeniably superior, and the economics are reasonable, you should select the superior software solution.
- Can you expect the project to be in budget given the vendor's track record with similar businesses to yours?

3) Your perception of the long-term business relationship with the vendor

- Will this ERP vendor be able to deliver on their promises?
- Will this ERP vendor listen to my concerns?
- Will this ERP vendor address my concerns?
- Will I be important to this ERP vendor?
- Will I have a Win-Win relationship with this ERP vendor?

Selecting an ERP solution is a lengthy process with many factors to consider, but as you can see, it can be broken down into manageable parts. With rigorous research, evaluation and selection, it is possible to find an ERP vendor and business partner who will deliver and implement a solution that will take your business to the next level.


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