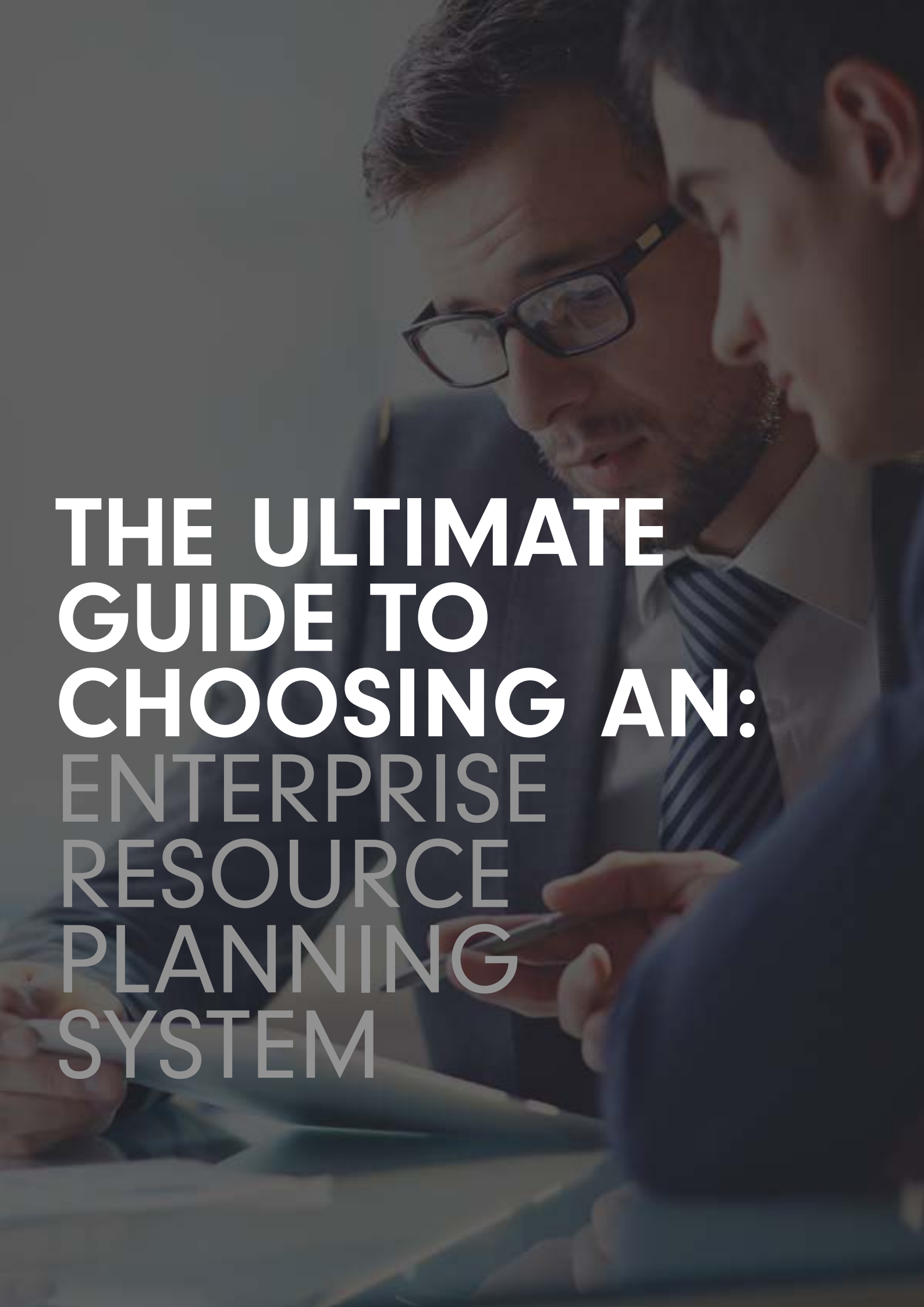

THE ULTIMATE GUIDE TO CHOOSING AN: ENTERPRISE RESOURCE PLANNING SYSTEM

Replacing an entire business management system like an ERP system is a serious undertaking. It represents a considerable commitment in money, time and people resources for a company. The internet is full of horror stories about the implementations that have gone wrong and that have cost businesses thousands or millions of pounds to fix. Research firm Gartner is famously quoted for estimating that 55% to 75% of all ERP projects fail to meet their objectives. So, to avoid a costly or lengthy mistake, you need to ensure you get it right by putting in place a formal, detailed process for choosing your new system.

You will probably already have identified the need to replace your system. Perhaps your software is no longer supported by the manufacturer. Or perhaps your business has grown and the ERP or other resources you're using just won't scale up to your larger size.

Whatever the reasons for wanting to make a change, you've already identified the need for additional functionality and a system that can manage your entire business operation. You are looking to find a solution that will save you money and give your staff remote and mobile access to the information they need. You are keen to ditch the old technology and the disparate solutions that just can't interact with each other, and want to run a shiny new system that gives you comprehensive, real-time data on which you can base those mission-critical business decisions. And you want to ensure the new system provides a good return on investment for the business and its stakeholders.

Despite having made that decision, you perhaps don't know how best to manage the project. This guide aims to transform what might seem like a complex and daunting process into one that is clear, simple and straightforward. We provide you with an easy to understand process to follow, broken down into individual steps. It takes you from building a team and setting the project objectives, through to defining the scope of the software solution, choosing a vendor and a platform or software system, right down to the final agreement to proceed.

So, read on for our suggested steps for choosing an ERP.

Step 1: get senior buy-in.

The most successful projects are the ones where there is support and backing from the top. So the first step is to ensure that you get senior buy-in for your project. Even better, ensure that the project is led by the senior management team or the board. In this way, they become accountable for the success of the project and if there are issues or delays, they can be mitigated from the top.

Senior level involvement ensures that people involved throughout the organisation will be more dedicated and engaged with the project. With commitment from the top, your project will have the best chances of success.

Step 2: build a project team.

The second step is to build a cross-company project team that will lead the system selection and oversee its deployment later on.

Not only does your new system need to provide the functionality that meets all your business process needs, it must also have full management approval and user acceptance. So it is vital that you include stakeholders from the key areas of the business.

This team will set the ground rules for the project, and having a cross-company team will mean that everyone from across the business will know that the decisions it makes will be made objectively and collectively. This will bring the necessary buy-in and a high level of co-operation from within the business.

Part of choosing the team is appointing a project lead. Now, because you're reading this, that person is probably going to be you.

The project lead will be the one to deal day-to-day with your supplier and their own project management team. They are charged with the success of the project and will have targets, deadlines and KPIs to meet. The responsibility for running the whole project will be on their shoulders, so they will need to champion the project and drive it forward.

Step 3: set objectives.

Once the team is in place, it's critical that you set out what you want to achieve with the project. What business goals do you have and how will the new ERP meet them?

With a clear set of goals and objectives in place, you can check back and measure against them later on to ensure that your project is on course and, ultimately, whether or not it has achieved those goals. Without an objective, you can't build a clear road map and won't know where you're heading, let alone if you've reached your endpoint later on.

Examples of the kinds of objectives that you might want to set for your new ERP system include:

- Streamline business processes
- Centralise the organisation's data
- Manage cash flow
- Gain better financial insight into the business
- Simplify the supply chain process
- Reduce stock levels and the costs of carrying excess stock
- Minimise out of stock situations
- Improve customer service
- Provide full batch or lot traceability
- Gain a better view of your customers
- Forecast sales more accurately
- Link your commerce seamlessly into your financial system
- Deliver accurate, real-time stock visibility
- Improve visibility of production data
- Deliver quality control and compliance in manufacturing
- Reduce delivery times
- Automate key ordering and payment processes
- Provide warehouse management and processes
- Integrate internal financial systems: sales ledger, purchase ledger, general ledger

Where possible, you should quantify these objectives. So, put a figure on them if you can. So, some examples would be:

- Reduce stock holding by 20%
- Improve period end closing to two days after month end
- Achieve next-day delivery for 80% of order

It's not always easy – or even possible – to be so specific for every objective, but you should make it one of your chief considerations. Where you can set quantifiable objectives, then it makes it simple to measure your success after the project is complete and your new system is up and running.

Step 4: define the feature requirements.

> "It may be more costly to add something in at the end of a project than to account for it and build it into the spec up front."

Next, you will need to define the scope of the project. This involves a detailed requirements gathering process that covers what functionality you want the software to have.

Setting out the functional scope will be a detailed and time-consuming part of the process. But it is a necessary one. Get it right and your finished system will work as you and everyone else expects.

You need to create a clear list of requirements. You can do this by focusing on the business processes within your organisation and how they are best undertaken. Don't just detail how you do things now, as this may not be the right way of doing things. Instead, scope out how you think your business processes should be delivered, and this will ensure that your new ERP system will meet the best way of doing things.

Speak to representatives in all areas of the business - not just those in finance. It is often the finance department that drives the process, and key department members will have a significant input, but you also need to speak to: production, warehousing, operations, sales, marketing, purchasing, HR, and so on. Plus, don't forget your subsidiary companies and regional offices. With each stakeholder, check what their user requirements are, both now and how they anticipate them to be in the future. Will any business processes change in the future? Don't assume you understand the requirements from other areas of the business; make sure you receive a full brief from them.

Take care not to miss out on any requirements. It may be more costly to add something in at the end of a project than to account for it and build it into the spec up front.

You may like to undertake a gap analysis of your current applications versus the requirements that you have, to help identify the functionality you are missing.

There are some tools to help you with this whole process. For example, SpecIT™ IVSM is a technology specification and selection tool that allows you to record the detailed functionality of your current applications. And there are other methodologies too, such as Kuiper's funnel method, Dobrin's 3Ddecision support tool and the Clarkson Potomac method.

Your final requirements list will very much be unique to your own company, but to give you a hand, we've compiled a checklist of areas that you might like to start with. Add detailed functionality below each of those headings, then scale each aspect according to your needs and whether each particular feature is critical, just nice to have, or one that you don't need.

01

Feature requirement checklist

These are some standard aspects and functionality areas or modules of a typical ERP system, for you to refer to when building your own, detailed feature requirements list.

Function/Feature Area	List Detailed Functionality	Scale According to Need
Administration		
Accounting and financials		
Sales opportunitieies		
Accounts receivables/sales order manament		
Accounts payable/purchasing managemnet		
Suppliers/business partners		
Banking		
inventory management		
Priduction and manufacturing		
E-commerce		
Warehouse management		
Supply chain and logsitics mangement		
Material requirements planning (MRP)		
Manufacturing resources		
Service		
Marketing and marketing automation		
Customer relationship managmement (CRM)		
Human resources		
Reporting and business intelligence		
Integration with existing softwares		
Data security and archiving		
Risk and compliance		
Business and tax reporting		

Step 5: supplier and software selection.

Supplier selection and software selection may go hand in hand for you. You may already have decided which software system you want to use, and this will therefore dictate which providers you can use. Equally, you may have a shortlist of companies in mind already, and so the software selection will be limited to the ones they provide. Or, as you go through the functional scoping, you may realise that only a certain supplier or certain software solution will match your needs.

Referring back to your requirements, you can set about choosing a list of potential suppliers. This too is an important step as using the "wrong" partner - even with the right software - could mean that your project fails.

We would recommend you create a long list of around five or more providers. A web search or using LinkedIn will help you to determine which providers you want to list. You may have some initial requirements that will determine which companies you look at. Perhaps you already know which software system you want to use, or only want to use a company that is based in your region, or one that is under a certain size. But other aspects can be determined by preparing a request for information.

01

Request for information

The first stage is to prepare an RFI and send it out to various providers. This should cover all aspects that you want to learn more about from them, such as:

- General: how long have they been in business? How many staff do they have? What is their turnover? What technologies do they offer?
  • People: who do they employ and what are their qualifications?
- Support cover: what support cover is offered? Is it 24/7, "follow the sun", or more limited?
- Support access: is maintenance and help offered on-site, by telephone or by email? Do they have remote access technology?
- Experience: how many customers do they have? Ask for case studies, references and testimonials and follow references up.
- Industries: do they work with other companies like you? Do they actively promote your industry area as being one they target in their sales literature and on their website?
- Financial due diligence: check their key financials to assess their stability.
- Training: what training can they provide? Where does it take place - on-site, their offices or another location?
- Software: which systems do they provide?
- Partnerships: what partnerships do they have? With whom?
- Methodologies: which project planning and implementation methodologies do they use?

Also at this stage you may be able to assess the general fit of the company. Much of our decisionmaking process when buying relates to personality fit and how much we like the company and people we are buying from. Speaking to and meeting with prospective suppliers will help with this less tangible aspect of the process.

02

Shortlist your providers with a request for proposal (RFP)

You will come out of the initial process with a shorter list, perhaps of two or three. You can now send a request for proposal (RFP) to these, detailing the full requirements you have identified. If you haven't already identified the software you want to use, it's at this point that you can use the experience and expertise of the suppliers to recommend and demonstrate the right software that will meet your detailed requirements.

Step 6: demonstrations.

The software demonstration is a crucial part of the ERP selection process.

Ask your short-list of suppliers to give you demonstrations of the products that they are recommending or which you are interested in.

Appoint people from your project team to sit in on the demos with you, and ensure that they each see every demo. You may wish to have a virtual demo, based online. Or perhaps the supplier will come to you and demonstrate the software. Some suppliers provide a free trial of their software, that you can assess as and when you want during the trial period. This is convenient, but it's far harder to assess the software without the guidance of an expert.

Brief the suppliers on what you want from the demo and how long it should last. While it will be impossible to view every single piece of functionality in the software, looking at the key features that affect your business will be the best use of your time. A useful tactic is to use a scorecard system to assess each demonstration. List and detail all the aspects that you want to see from the demos, and score each aspect - alongside your colleagues. This will help when it comes to discussing and assessing the demos later on. To add to the demonstrations, you may like to make a site visit to another customer of the vendor who is in your industry and using the software you are interested in. This often takes time and effort for the software supplier to arrange, so use the visit wisely to check aspects of the system and the organisation's set-up. Prepare a list of questions for the company beforehand and check not only how their implementation went, but also what problems and issues they encountered. It's a given that projects of this sort of size don't always go smoothly, so if you can be aware of any small issues that you might encounter, it will be helpful for your own implementation. And, of course, if they had serious issues or the supplier just didn't deliver as they should have, then that's a red flag and a supplier you should perhaps steer clear of.

Step 7: make the decision.

After many weeks of planning and evaluating, it's time to make a decision. The project team should now set aside some time to formally and carefully assess the proposals received from the shortlisted suppliers and to discuss the pros and cons of each.

It is often very clear at this stage which supplier you want to go with, but as project leader, you need to make sure that all the stakeholders feel the same way, so that you can count on their backing and support for the project. Once you've come to an agreement, let the unsuccessful suppliers know and then speak with your chosen supplier.

The next stage is for them to put together a formal agreement, which both parties will sign, along with any other documentation, such as a non-disclosure agreement. You're now set and ready to build the implementation project plan with your chosen supplier and can look forward to "going live" with your new software.

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ABOUT THE AUTHORS

Craig Powell is the Managing Director of Balloon One. With 31 years' experience in the IT industry, leading Hewlett Packard's ERP Services division before starting Balloon One in 2003. Craig is motivated by delivering IT growth platforms that allow MSEs to scale their business and reach their potential.

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2003-2020

Founded in 2003 and based in West London, Balloon One is an End-to-End Supply Chain Systems provider with a focus to deliver agile solutions through a pragmatic approach to their customer's distribution operation, large or small, every time. Balloon One provides WMS, ERP, TMS & Automation, to enable greater interoperability between processes throughout the supply chain. With a value driven and fact-based strategy, Balloon works with clients to not only identify and resolve their pain points but to facilitate the growth of their businesses.