WHITEPAPER

THE ERP SELECTION PROCESS SURVIVAL GUIDE

Enterprise Resource Planning
EXECUTIVE SUMMARY
This guide provides an overview of the steps for conducting an effective and successful enterprise resource planning (ERP) solution evaluation. The process can be challenging because of the level of detail that must be addressed, ensuring that key steps are not overlooked. Recognizing exactly what these steps are, preparing for them and following a predetermined evaluation plan can help ensure an efficient and successful selection process. An informed, educated and prepared organization can enjoy the many benefits of an ERP solution faster than one that simply reacts to situations as they arise. Keep in mind that, above all else, knowledge and communication are the key elements to a successful evaluation.

THE ERP BASICS
An ERP solution is an integrated business system that provides a company with the decision-support tools needed to effectively manage and grow its business. These support tools provide an organization with access to the information that it needs—when it needs it—in a user-friendly format. The system, as a whole, allows each individual to work more effectively with a higher degree of responsiveness and provides all the information that each individual within the organization requires to do his or her job.

When a change occurs at any point, that information is updated accordingly, alerting key personnel to changes in status when required. Management then has the ability to view this activity and make decisions based on current data and information.

If an organization is experiencing one or more of the following business conditions, it is time to seriously consider implementing an ERP solution or replacing the current one:

- Rapid growth
- New products or markets
- Uncertain financial performance
- Unknown or inaccurate costs
- Inaccurate forecasting and planning
- Missed delivery dates
- Inventories that do not meet production requirements
- Duplication of effort

SYSTEM EVALUATION
The actual process of evaluating and selecting an ERP System is never the same for any two companies. Unique internal conditions are going to determine exactly what work needs to be done. There are, however, common steps and exercises that a company and its evaluation team should take. Some of these steps include:

1. A cross-functional evaluation team that includes the best and the brightest individuals from each functional area of the company should be selected and empowered.
These individuals should understand the inner workings of their respective departments thoroughly. As the evaluation moves forward, they can fairly and accurately represent and communicate the needs of their departments regarding a new enterprise system. They must also understand the importance of information sharing and integration, as well as embrace and champion positive change. The team should have as its leader an individual from the company’s executive management team who reports directly to the CEO.

2. The members of the team need to learn the reasons and conditions that exist within the company that have led to the decision to select an enterprise system.
Each member should know what the final solution might look like. Additionally, each member of the team will need to educate the other members about the department they represent.

3. The company’s resources need to be identified and assessed.
The intention here is to evaluate the areas that are most critical to the company’s ongoing growth. In addition to those areas that may be unique to your business, the following also need to be assessed:

- Personnel—Identify the organization’s strengths and key areas that need improvement.
• **Technology**—Understand the company’s current information systems. The key will be to target those areas where potential enhancements can most profoundly affect the business in order to facilitate the desired growth. The end result will be an outline of the current technology and what it will need to be in the future.

• **Workflow**—The critical processes and workflow issues within the company have to be reviewed. Consideration needs to be given to not only how these processes actually work today, but also how they should work as the company grows.

• **Performance Measurements**—A business model for success needs to be defined along with the metrics that will be used to measure business performance. Establishing these measurements is critical not only to define the organization’s growth potential, but also to help identify the path that needs to be followed in order to achieve the desired degree of growth.

4. **The elements required to meet the company’s goals have to be defined.**

   This step can be accomplished by identifying the requirements for success, which will then be used as the guideline for selecting an ERP solutions provider. The steps involved in this process include:

   • Identifying the limitations or problems with the current business approach, and pinpointing those situations that create the greatest barriers to the company’s success.

   • Discovering the organization’s core competencies—those factors that give the organization a distinct advantage over its competition.

   • Recognizing the requirements for implementation, features, functionality, service, tools, ongoing customer care and support.

5. **When evaluating and selecting the right enterprise solution for your organization, identify the most important system functionality and services.**

   Meet with the experts across your business in such areas as sales, customer service, purchasing, receiving, manufacturing, shipping, accounting and finance. Ask them to list their top 20 department needs for both the software and implementation and support services, and then ask them to consider needs across the entire company, including ease-of-use, reporting and technology.

   Additional items that need to be considered when evaluating potential solutions include:

   • Will a solution that is industry-specific in design be a better fit than one that is cross industry?

   • Are the vendors’ products scalable to accommodate rapid growth?

   • Are the solutions configurable to meet the specific needs and business processes that exist now, as well as new ones in the future?

**SOLUTION SELECTION**

By now, the unique needs of the organization and the critical functional requirements necessary in a new enterprise solution have been identified. The next step is to define the process that will be followed when evaluating and finally selecting the right software package for the company.

By defining the path to follow in advance, the company’s team will avoid extended and potentially costly delays in the evaluation process. These steps should include:

   • Reviewing the potential software products that are a fit for the organization’s environment.

   • Eliminating those packages that do not meet the specified needs and requirements.

   • Creating a manageable list of vendors for final review.

   • Scheduling product demonstrations.

   • Checking references.
NEXT STEPS
In today’s increasingly competitive business environment, many companies are driven to seek various ways to increase their effectiveness and ability to maintain pace with or stay ahead of the competition. This situation may drive many companies to invest in a new ERP system as a step toward this goal.

Moreover, recognizing that there are certain aspects associated with its implementation in the small- to medium-sized company, the CEO and CFO should be involved in the selection of an ERP system from the beginning, with the following understanding:

• The system will provide faster and more accurate information to them and to their managers than is presently available.

• The system will directly or indirectly create improved business processes, even allowing for organizational changes that previously may not have been considered.

• The CEO’s involvement will be required. For example, he or she may need to issue corporate policies to improve fundamental business metrics, such as Bill of Material accuracy or customer delivery performance.

• The IT staff will require additional training to be effective intermediaries with the ERP vendor.

ERP selection can take on many forms. However, the advice and steps described in this guide will help to increase awareness regarding the realities of ERP selection.

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