Seminar Agenda

• Introductions
• ERP Defined
• Indicators that it may be time to select a new ERP System
• Steps associated with selecting an ERP system
• Success and Failure factors ("Dos" and "Don’ts") impacting the selection process
• ERP Landscape – May 23, 2006
• Questions
ERP Defined

- ERP = “E’nterprise “R’esource “P’lanning
- ERP is an integrated business system that provides a company with the decision support tools needed to effectively manage and grow its business
- Provides an organization with access to the information that it needs when it needs it
- For Manufacturers and Distributors, ERP systems typically consist of the following applications:
  - Financials (G/L, A/P, A/R, Payroll)
  - Supply Chain Management (Purchasing, Order Management and Shipping)
  - Manufacturing (Inventory, Shop Floor Control, MRP, Bills of Material, Standard Costing, Routing, Engineering and QA)
  - Customer Relationship Management
ERP incorporates many of the other “technospeak” acronyms prevalent today:

- CRM
- HRM
- SCM
- EMS
Indicators that it may be time to select a new ERP application

• If your company is experiencing one or more of the following, it may be time to consider implementing a new ERP solution:
  – Rapid and uncontrolled growth;
  – Your exact financial performance is unknown;
  – Unknown or inaccurate job costs, large manufacturing variances, etc.
  – Inventories that are far short or far exceed production requirements on a consistent basis;
  – Duplication of data in performing functions;
Indicators that it may be time to select a new ERP application - continued

– Inability to hit customer expectations (failed promises);
– Missed shipment and delivery dates;
– Unknown operating performance;
– System retarding corporate growth;
– Limited ability in budgeting or forecasting production requirements with accuracy and;
– Custom systems relying on antiquated technology supported by a limited IT staff.
Steps associated with selecting an ERP system

• The days of the 200 page RFP are over;
• There are multiple variations in the steps associated with selecting an ERP system;
• However, there is a commonality in the overall approach that is the basis for the ensuing discussion and;
• With the presence of the Internet, there are also tools available (for a price) to assist you through the process (requirements analysis)
Steps associated with selecting an ERP system

• **Step 1** – Organize the Project and Identify the ERP Selection Team
  • Team represents all functional areas (although the selection will be business process driven);
  • Identify the Project Team leader;
  • Team is generally comprised of individuals who are already booked solid;
  • Team will be responsible for establishing the ground rules for selection (discussed next) and;
  • The team ultimately selects the system
Steps associated with selecting an ERP system - continued

• Step 2 – Establish ERP Selection Criteria
  • The ERP selection criteria are those elements that serve as the rules for selecting the system;
  • The Selection Team establishes the Selection Criteria;
  • The Selection Criteria helps in keeping the project on track;
  • The Selection Criteria helps to instill objectivity in the process and often serves as a “tie breaker” during difficult situations:
  • Examples of Selection Criteria:
    • Functionality
      • Weighted as necessary towards Selection Team – identified critical applications
    • Budget/Price
    • Technology
    • Ease of implementation
Steps associated with selecting an ERP system - continued

- **Step 3** – Identifying and prioritizing Critical Needs and Requirements
  - The Critical business requirements (typically no more than 10-12 per area) are identified (typically in process specific interview sessions) and documented;
    - The ERP solution selected will have successfully demonstrated its capabilities in addressing these requirements
  - Emphasis during this step is on “Critical” – see previous comment regarding the RFP;
  - The requirements identified during this step serve as the basis for the vendor demonstration scripts (discussed later);
  - The Selection Team will prioritize the requirements
  - Internet sources available to assist in this process but leverage at your own risk
Step 4 – Conduct Preliminary Vendor Screening

Based upon the Evaluation Criteria defined in Step 2 and the Critical Requirements identified in Step 3, preliminary vendor screening can be performed to reduce the large population of potential vendors to a select few;

- Ideally, the Selection Team will want to reduce the number of detail vendor evaluations (i.e. demonstrations) to a manageable number (usually 3 – no more than 5)

This step is occurring concurrently with the next step (Prepare Vendor Demonstration Scripts)

As noted in Step 3, the Internet can be a useful resource (both good and bad) in performing this step as well as direct communication (phone screening) with the vendors;

- This is where an outside consultant can provide valuable assistance and insulation and;

- At the completion of this step, you should have the list of ERP solutions that the Selection Team will be able to identify candidates for product demonstrations.
ERP Selection Process Survival Guide

Steps associated with selecting an ERP system - continued

• **Step 4** – Conduct Preliminary Vendor Screening - *continued*

  • **TIPS:**
    • Generally, every selection team member will bring a bias to the table about a specific ERP application – make sure to include that application in the screening process;
    • Do not disclose your organization’s name in telephone conversations;
    • If web sites ask for information and an e-mail address to send literature – use a non-corporate e-mail address
Steps associated with selecting an ERP system - continued

• Step 5 – Prepare Vendor Demonstration Scripts
  • This step involves translating the critical business requirements into scripts that will be submitted to the selected ERP vendors for demonstrations;
  • Ideally, the scripts will document all business processes utilizing actual corporate data;
  • The scripts should be constructed in a manner where weighting can be assigned to each script component;
  • Representatives of the Selection Team should meet with the vendors before hand to review the contents of the scripts and answer any questions;
    • Remember, the goal of this entire process is to select the right ERP system for your organization – incorrectly grading a vendor’s inability to demonstrate a critical business process because of a misunderstanding of the script is self defeating
Step 6 – Conduct Vendor Demonstrations

- Using the grading sheets that mirror the vendor scripts, the Selection Team attends each vendor demonstration and evaluates the vendor solution;
- Depending upon the complexity of the business requirements and ERP option, the demonstrations can last up to 1 day (some may last longer);
- All grading sheets are accumulated and graded for requirements fit.
• Step 7 – Selecting the ERP Solution
  • The results of the vendor demonstrations are accumulated with the other evaluation criteria assembled during the process;
  • Based upon the overall results, the Selection Team identifies a vendor for subsequent contract negotiations;
  • References are checked;
  • Site visits to references are made;
  • Contract terms are negotiated and the solution selected;
  • An outside consulting firm can provide significant value during this step
“Dos”

- Establish a Selection Team comprised of knowledgeable individuals from your company;
- Obtain Senior Management commitment for the project and subsequent implementation;
- Identify objectively, at the beginning of the process, how the ERP solution will be selected – (i.e. the ground rules) and adhere to the rules;
- Focus on the critical business requirements, not a list of features and functionality;
- Avoid scope creep;
- Try to stay with basic application functionality without customizations and workarounds;
- Stay committed to the project – starting and stopping the process has a negative impact on credibility (internally to the employees of the company and externally to vendors);
- You manage the process and ERP vendors, not vice versa.
Success and Failure Factors ("Dos" and "Don’ts")

Impacting the Selection Process

“Don’ts”

• This is not an IT project (no offense intended) – don’t let it be driven by IT (again, no offense intended);

• Have side conversations, however innocent, with the ERP vendors during the process. Remember, they are trying to sell you a solution and will use any means necessary (and I mean any) to close the deal;

• The Selection Team has a leader, but no one member should have less or greater than equal say;

• Don’t exclude functional areas due to real or perceived personality or other conflicts;

• If you select a consulting firm (which I think you should!) to assist in the process, satisfy yourself that the firm does not have existing relationships with ERP vendors that will impact its objectivity;

• Don’t try to mirror simply what you do now from a business process – use this as an opportunity to review existing processes and leverage ERP application best practice!
The ERP Landscape as of May 23, 2006

- Over 550 Manufacturing solutions available
- “MEGA” Vendors
  - Oracle
    - Oracle
    - Peoplesoft
    - JD Edwards
  - SAP
  - Microsoft
    - Dynamics (Great Plains)
    - Axapta
    - Navision
    - Solomon (limited manufacturing)
  - Sage
    - MAS (200, 500)
    - AccPac
- All Others such as:
  - Epicor
  - Syspro
  - SAS
  - Infinium
  - Macola
  - Made2Manage
  - Visual Manufacturing Pro
  - Lily
  - Etc……..
Questions
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