

ERP Selection Process Survival Guide

Michael Poirier

Dan Andrea



ERP Selection Process Survival Guide

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

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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

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ERP Defined - continued

- ERP incorporates many of the other “technospeak” acronyms prevalent today:
 - CRM
 - HRM
 - SCM
 - EMS

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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;

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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

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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)

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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

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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

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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

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Steps associated with selecting an ERP system - continued

- **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.

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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

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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

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Steps associated with selecting an ERP system - continued

- **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

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Steps associated with selecting an ERP system - continued

- **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

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Success and Failure Factors (“Dos” and “Don’ts”) Impacting the Selection Process

“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



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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 !

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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

Contact Information

Feeley & Driscoll, P.C.

www.fdcpa.com
