



A complete guide to selecting and
implementing an ERP solution

Includes a free downloadable checklist

ERP Checklist and Bonus Checklist

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Do You Need an ERP System?

Ask yourself a few different questions:

Do you need an ERP system?

Maybe you are a growing company or a scale-up? Do you really need an ERP system? The answer – if you want to grow and stay competitive – is YES!

Gone are the days where you could get by with the number one ERP system in the world (Excel). It is true that many businesses still use Excel as their enterprise software. Often, these companies lose significant business to the competition who have upgraded to current solutions.

Do you need a new ERP system?

We see it all the time – companies still using green screen (dumb) terminals with dreadfully slow loading times and inaccurate data. These companies have frustrated sales managers and employees, no ability to be mobile, ERP security issues, upgrade constraints because of customisations and worst of all, no support from the company that made the system in the first place. The list goes on. If you experience any of this, you are a prime candidate for a new system that can help your business grow and compete in today's market.

After answering these questions, the first phase of an ERP software selection project is your planning phase.

During this time, you will be building an ERP project team and developing an ERP project plan. Most importantly, you'll be building a business case and achieving organisational alignment. To do this effectively you should have someone on your team with extensive ERP implementation experience. This can be an internal or external resource.

There are hundreds, if not thousands, of ERP systems out there so having someone in your corner that is vendor-agnostic is crucial. Everyone knows about the big guys (SAP, Microsoft, Oracle etc.), but knowledge about various ERP vendors' strengths and weaknesses typically doesn't come from a single person. The basic message here is this: *have unbiased expertise on your team!*

Organisational Alignment

Organisation alignment starts with and requires agreement around terminology and vision. Chances are many people in your organisation will not know the basics of ERP. It isn't like ERP is a software that a typical person uses on a daily basis, like social media. Think about it

– when was the last time you were excited to check your phone to see if you have increased profit margins?

One of the fastest ways to educate your team about ERP is to give them some material that may answer their questions. Give them a basic overview and direct them to the following blog post, which answers common questions, such as “What is an ERP system?”

Business Case

A business case can do a few things. It can help you achieve alignment, and help you show that a new ERP software is needed. This is vitally important when approaching decision makers and asking for the green light.

When building a business case, be sure to define how new technology will help you achieve your organisational goals. Your business case should answer the following questions:

- *Will a new ERP eliminate silos and integrate disparate enterprise systems?*
- *Will a new ERP improve the customer experience?*
- *Will a new ERP improve employee and operational efficiency?*
- *Will a new ERP enable real-time data, allowing for better decision making from leadership?*
- *Will a new ERP make it easier to conform to potential or existing regulatory compliance?*

and the big one...

- ***Will a new ERP system help achieve long term organisational goals and improve the bottom line?***

Many organisations invest in enterprise software simply because other organisations are doing so. While keeping up with the competition is smart, you need to understand the specific ways ERP will change the way your business operates and how ERP will help you stay competitive. Executives will be more likely to invest in a new ERP solution if they understand the benefits and return on investment.

Outlining expected ERP business benefits will also help you achieve employee buy-in for the ERP evaluation process and beyond. You’ll need resources to help with ERP vendor selection so soliciting buy-in and making managers and employees part of the solution is essential.

Managers need to understand how the new ERP system benefits the organisation if they are going to allow team members to dedicate several months to the ERP system selection process. Likewise, team members need to understand how a new system can make their everyday lives easier. You will always have a few naysayers – that is expected with any change in technology or in processes. By converting these individuals to proponents of a new system using organisational change strategies, they can easily become your strongest allies in an ERP project.

Which Companies Use ERP Systems?

Big and Small

With the huge leaps in technological advancement and lowered costs to entry, software development for ERP has opened up a plethora of new and specialised ERP options. A new generation is taking hold, enabling re-thinking of standard processes and user interfaces. ERP software is becoming more affordable, flexible and industry-specific, allowing small and mid-sized organisations to take the plunge and compete against what used to be untouchable industries.

Another insight is that ERP software is not just for organisations pursuing digital transformation. You don't have to create new operating models to benefit from ERP. You simply have to optimise your processes and align new technology with your streamlined operations.

What Is Your IT Strategy

Chances are your current IT infrastructure has pain points and needs to change to support your organisational goals. ERP selection and implementation are only part of this strategy, but is a large part and shouldn't be overlooked.

ERP Deployment Strategy

Complex organisations often prefer on-premise ERP software, but this isn't the only reason to go on-premise. There can be several other factors when developing an IT strategy such as:

- *IT support and staff skillsets*
- *Geolocation*
- *Government regulations, such as HIPPA, ITAR, SOX or PCI compliance*
- *Depth of functionality*

That being said, cloud ERP or SaaS ERP could very well be a great fit for your organisation. It will be hard to tell without performing due diligence and knowing exactly what questions to ask.

A few questions that you will definitely want to ask any ERP vendor include:

- *What is your product roadmap?*
- *Do you have experience or expertise in our industry?*
- *What type of technology are you investing in? (Cloud or On-Premise)*
- *Are you researching anything cutting edge, such as AI, machine learning or blockchain?*
- *How often do you have a major update?*
- *Are you continually improving your integration models?*

In addition to deployment options, you'll need to consider integration strategies. One approach is implementing a single ERP system with all the functionality you need. This is often the simplest approach requiring the fewest technical resources. However, it may not enhance your competitive advantage. Oftentimes, you will need different ERP systems for different functional areas. This is known as a best-of-breed approach.

Integrating multiple ERP systems (a best-of-breed approach) is challenging in terms of data management, process standardisation and organisational change. At the same time, a best-of-breed approach may reduce your need for software customisation because you can simply select different products to cover functionality gaps in your other products.

This isn't as bad as it sounds as it is getting easier and faster to integrate solutions with standardisation of data formats. Many organisations integrate standalone CRM software with their main ERP system to provide specialised functionality.

Speaking of customisation, do you have a customisation strategy?

Your IT strategy should specify how you'll handle customisation requests. While every ERP system requires some amount of customisation, you should strive to minimise it. This will make upgrades a lot easier in the future.

It is essential that you have your customisation approval process documented and adhere to it. If not, you may experience scope creep. We have seen this happen to dozens of companies, and people do lose jobs over it.

Scope creep can easily start to cost tens of thousands, if not hundreds of thousands, of pounds. This is not to mention the risks involved when upgrading to a new version of your ERP system.

To Customise or not to Customise – That is the Question

When deciding whether to fulfil a customisation request, consider whether you absolutely need that functionality and what it affects. In many cases, you may just need to train employees to perform a process more efficiently.

Developing a resource strategy for ERP implementation is also important. Most organisations use a combination of internal and external resources. You will need both technical and business skillsets, which can be hard to find in-house. Employee bandwidth is also an issue when using in-house resources so be wary of this when assigning tasks as employees can quickly experience burnout.

Select an ERP Project Team

Why build a selection team?

Let's answer a question with a question: Are you the only person that will be using the new system?

I hope not.

A selection team assists the project team with software requirements gathering and attends ERP vendor demos. The team should include at least one member from every department, business unit and location. Be sure to include subject matter experts (SMEs) who understand how the business operates in relation to their particular department. They should understand both the upstream and downstream processes of their functional areas.

Everyone can and should contribute to your new ERP initiative. It doesn't mean that their particular thoughts or ideas on a matter will be used but giving a voice to the people that will be using the system is important and will help when you start transitioning employees to the new system.

Select one of your selection team members as the designated project manager.

The project manager will be responsible for keeping the ERP selection process moving and assigning roles and responsibilities. Strong project management ensures your selection stays on time and on budget.

It is important not to have too many cooks in the kitchen. This means you need to authorise your project manager to make autonomous decisions. Micro-management of your project manager means you don't trust them, and they shouldn't have been selected to begin with. Practice oversight not interference.

Choose selection team members based on their level of competence and not necessarily their job title.

While you may want to recruit a manager, keep in mind that managers tend to be busy, and this could extend the ERP selection process. Recruiting non-management employees with a deep understanding of their processes is a good way to make employees feel a sense of ownership. They will be more likely to support organisational changes if they're involved in the early stages of the project.

Your selection team will have decision-making power, so you want people who aren't afraid to share their opinions, even if these opinions are unpopular. Team members will have strong opinions on how to improve their own processes, but you can't identify these pain points unless people are honest about their day-to-day challenges.

Determine Your Business Requirements

Requirements gathering workshops are an essential component of business process management. Distributing workshop guides helps the selection team prepare for requirements gathering. These workshop guides aid team members in starting conversations with their respective departments.

As ERP and business consultants, we have experienced the full gambit when it comes to companies being prepared vs. unprepared. From people just showing up to a meeting that appeared on their calendar the night before to a well-orchestrated group with laser focus and pre-prepared notes – these scenarios are quite different both in the experience and cost.

Be Prepared – Like Boy Scouts

Working with an unprepared team makes it much more difficult to extract their knowledge and document it. An unprepared group will cost you significantly more money, not only in terms of hours lost explaining what is happening, and lost labour. You also increase your consulting fees as your consultants spend time on unnecessary activities.

Not preparing your team also has the unintended consequence of making your leadership and sponsorship team look disorganised and unprepared. This has a deadly trickle-down effect on the entire ERP selection and implementation, which will truly begin to surface during your organisational change activities.

We have seen entire projects halted simply because of lack of preparation. Instead of being your organisation's dud, be your organisation's stud, and be sure to over-communicate and over-prepare your team.

What to Focus on

During requirements gathering workshops, you should focus on the “what” and not the “how.” While you do need to know each step in a process, you don't need to know what buttons employees push to complete each step.

Business process mapping is a good tool to use when gathering requirements on how your business operates. Using a process map, you can extrapolate business requirements. This tool also will help you make decisions later on during upgrades or business process improvement exercises.

A common theme we see when facilitating business process mapping is an increased understanding among employees of inter-departmental tasks and responsibilities. This can

result in an improved company culture and generate any cross-departmental respect that may have been lacking.

When determining which requirements are most important, ensure team members understand that needs and wants are not the same. Split requirements into three groups:

- **Mandatory** – *These tasks are required to perform a job function or have another outside influence, such as an industry regulation. These are non-negotiable.*
- **Value-added** – *These are requirements that, while important, are not required to perform a task. They typically streamline manual functions (i.e., automatically importing data from an Excel spreadsheet in the correct format).*
- **Nice to have** – *These are “convenience” requirements, like a button on a screen that enables you to stay on the same screen while completing a task.*

Define Your Requirement Priorities

If a requirement isn't absolutely necessary, it should not determine your choice of ERP software. The final list of requirements should be a fair representation of each department's needs.

You'll need to make several important business decisions during requirements gathering workshops. As a result, you'll need access to decision makers who can make timely decisions on issues such as terminology and process ownership. Clarifying process ownership is essential as process owners are responsible for validating requirements and ensuring all processes are accounted for within their respective functional areas.

Your Need To Improve Your Business Processes

After several weeks of strategising, planning and requirements gathering, you'll be ready to discover pain points and opportunities for improvement. In other words, you're ready to begin business process re-engineering.

During business process mapping, you may have already captured a significant amount of pain points, but now is the time to formally document them and outline process improvements.

Some projects involve more process improvement than others. If you already have optimised processes, your scope of change will be rather small. On the other hand, if you need to transform your entire operating model, your scope of change will be significant.

Most organisations fall somewhere along this spectrum. While they may not improve all their processes, they'll improve the processes related to their competitive advantage. When performing business process re-engineering, you will need to look at things as an outsider:

- Are you using industry best practices?
- Are there processes that seem redundant?

The Beginner's Guide to Digital Transformation

An outside set of eyes is usually best for this, but you should be involved too as you know your business better than anyone.

Once you've determined your scope of change, you can begin process improvement. Using your current state process map, you'll document pain points, which will translate into additional requirements, such as "the ability to edit a sales order after submission."

Documenting pain points is an opportunity to set baselines for benefits realisation. For example, if you know how much time sales reps spend on a particular workaround, you can measure time savings after implementation. Similarly, if you know how long it currently takes to generate a particular financial report, you can measure the time savings that strong ERP financial reporting will bring.

While improving your processes, be sure to document the impact of each process change.

- Will employees need to be trained?
- Will employees need to be re-skilled because their processes have been automated?

Answering these questions will help you communicate with employees and reduce change resistance.

Process improvement is most effective when you know what goals you're trying to accomplish. If your goal is to improve your customer experience, ask customers how they want to interact with your organisation.

- Do they want a web portal?
- Do they want a better mobile experience?
- Do they want something as simple as order tracking? Customers and vendors alike will be affected by your new system so it is important to gather their thoughts and ideas as well.

Many process improvements can be implemented without technology. If this is the case for you, consider introducing these new processes before implementing ERP software.

Why wait to improve the way your business operates?

Besides improving the customer experience, organisations use process improvement to break down functional silos, increase operational efficiency and enable digital operations. If this is your goal, be sure to focus on the hand-offs between functions. For example, when optimising your supply chain processes, you should evaluate your application infrastructure.

What is your Data Management Strategy

Without quality data, new ERP software cannot provide value to your organisation. While you won't be migrating data until implementation, now is the time to start planning.

Your data likely isn't ready for migration.

Your data may be spread across multiple systems that each use different structures and formats. To account for this complexity, you should document and establish a data management strategy as early as possible. This strategy defines how you will migrate your data and cleanse it to resolve duplicate data and other data quality issues.

Data accuracy

Inaccurate master data is one of the leading causes of ERP implementation delays. Developing a data management strategy ensures you're ready to perform ERP data migration at the earliest stage of implementation. Keep in mind that software vendors almost never clean and organise your data, even though it should be ready before implementation.

Build a Long-list of ERP Systems

If your organisation has an existing ERP system, you may want to include the latest version of that system on your long list. An ERP upgrade is certainly faster than a full software implementation.

However, many organisations have customised their software to the extent that an upgrade would essentially be the equivalent of a full implementation.

Before building a long-list of ERP systems, you'll need selection criteria. These might include price, corporate values, industry focus and anything else your selection team deems relevant. Most importantly, your criteria should include your prioritised business requirements.

Common ERP Selection Criteria

Industry Experience

The ERP vendors on your long list should have multiple references from organisations similar to yours that have implemented similar functionality. By similar we mean size, volume of transactions, requirements and culture. Checking references helps you validate vendors' claims about their system's industry-specific functionality. Remember that software vendors aren't going to provide "*bad*" references so be sure and do a little research outside of what they provide.

Vendor Reputation

Look for reviews from previous clients related to the vendor's customer service and long-term support. Another telling factor is their employee tenure. If they are always hiring it could mean they are growing, or it could mean they aren't doing so well in upper management. Read between the lines.

The last thing you want to do is sign a contract for a large sum and end up playing musical chairs with project managers. When performing your due diligence, be sure to interview a set of potential project managers on their payroll. A cultural clash can be just as troublesome as an incompetent partner. Also, investigate what customers have to say about ease of use.

For example, what does the user interface look like on mobile devices? If they are in the cloud, what does their uptime and speed look like?

Cost

You don't want to waste time gathering information on a vendor that is out of your price range. Remember that the price you're quoted may not include all the services you need. In other words, you need to ask, "how much does it cost to implement an ERP system?"

Ask about the cost of implementation, maintenance fees, ongoing support and training costs. Just like buying a new car, the sticker price is rarely what you will end up paying.

If you find the perfect solution, but can't afford it, consider hiring an ERP selection consultant to negotiate lower costs. Using a consultant that knows the ins and outs of these contracts can save you a lot more than trying to go it alone.

You want an ERP system that can grow with your business. For example, increasing your customer base increases your required number of users and transactions. When evaluating ERP software scalability, look at vendors' pricing models to determine the cost of additional users. It should be noted that some on-premise solutions cannot scale without additional servers.

Vendor Viability

Look for an ERP system that has recently been updated. This is a sign that the vendor is currently investing in this product and plans to continue in the future.

Another sign of viability is a product that is on par with other vendors' products. If a product is lacking important functionality, it probably hasn't been recently updated, and the vendor may be planning to discontinue it.

Even if the vendor continues to support this product, the outdated functionality will hurt your organisation in the long term. You'll likely have to invest in extensive customisation to keep up with your competition.

What are the Top ERP Systems?

When looking at lists of top ERP systems, be sure to differentiate between lists based on popularity and lists based on functionality.

Experienced ERP experts create lists based on their experience implementing various systems across a variety of organisations. They'll often segment their lists based on industry. If you're not concerned with name recognition, you'll find these lists highly relevant and useful.

For example, if you're a manufacturing company looking for an industry-specific solution, there are several niche products that may be a better fit.

Build a Shortlist of ERP Systems

To turn your long list into a shortlist, you'll need to schedule phone calls with vendors. During these calls, share your business requirements and connect vendors with your subject matter experts.

You should also issue requests for information (RFIs), which outline your organisation's most important ERP requirements as well as your short- and long-term goals.

It's possible that all vendors will say they can address all your requirements. Ask vendors *how* they address each requirement. Can they address it with standard functionality, or does it require configuration, customisation or a third-party bolt on?

Are you ready for never-ending sales calls?

One of the advantages of going to an ERP partner like Cofficient rather than going direct is that they can act as a buffer so you don't end up on the receiving end of hardball sales tactics.

ERP companies pay their sales people on commission. Therefore, it is a simple fact that you will run into unscrupulous sales reps who will promise the world and a bag of chips, but only if you sign now.

Once they get your money they typically disappear, and you are left wondering months later what exactly you bought. Don't fall victim to this trap.

On the flip side, if you decide to negotiate too hard the vendor may decide you are not a right fit for them because you'll be a high-maintenance client. There is a fine line to walk.

Schedule ERP Demos

Even after you've spoken with vendors on the phone, you may still have a hard time trusting that they can support your processes. This is where ERP demos are useful.

Send requests for proposal (RFPs) to each of your shortlist vendors. Your RFP should include a complete list of your business requirements. You'll likely have hundreds of requirements so expect to wait several weeks for an RFP response.

At the same time you're sending RFPs, you should also send demo scripts. Writing your own demo scripts allows vendors to create personalised demonstrations that address your business requirements. You may also want to offer up a small set of actual data so the demo has meaning to the observers. A good size set of data is 2-5 complete records. Allow vendors adequate time to prepare for these demos.

While vendors are preparing, it is important to keep in contact with them. Fairly often, we see vendors come in unprepared and the demo becomes the standard sales demo. **YOU DO NOT WANT THIS.**

Your organisation is unique, and the demo should be as well.

We have been known to abruptly end demos if they start going into their standard sales demo instead of what was supplied. When a vendor does not put time into personalising your demo and showing a vested interest, you can be assured that the same amount of effort will be placed into your ERP implementation.

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 did not demonstrate the capability, then mark it accordingly. Don't just take their word for it.

Having scripted demos proves to be valuable through the selection process because it gives organisations the ability to do an apples-to-apples comparison of vendors. It is imperative to see end-to-end, 'day in the life of' processes, while letting the vendors incorporate their 'bells and whistles' and value add.

Once you have the demo scores and the RFP responses, you should conduct technical fit assessments. For each system on your shortlist, make notes on exactly how it meets each business requirement.

Conduct a Business Readiness Assessment

While you're waiting for vendors to review your RFPs and prepare demos, you may have up to a month of downtime. This is a good time to conduct a business readiness assessment. This assessment is designed to evaluate your organisation's alignment, level of resistance to change and ability to champion a project through the use of project sponsor. Put simply, it assesses your organisation's readiness for change.

A major variable in this assessment is the scope of change. An ERP project involving significant organisational change requires more readiness than a project involving minimal change. For example, if your organisation has high change resistance and a large scope of change, you'll need to dedicate significant time and resources to preparing your organisation for change.

Knowing how much you need to increase your organisation's change readiness will help you develop a change management strategy and plan. Determine how you will communicate with employees and what specific training each employee needs. Start acting on this plan as soon as possible – ideally before your final ERP selection.

Pause Before ERP Implementation

Stop, Breathe, Review, Move Forward

Pause after the selection process to ensure you're fully prepared for implementation.

- Does your team understand your future-state processes well enough to answer design questions during the technical implementation?
- How effective have your change management activities been at reducing employee resistance?

While your selection team may have been enthusiastic about requirements gathering and process improvement, they may become resistant during implementation. Now is the time to ensure they support the implementation plan by allowing them to provide input. Change management should continue throughout the implementation process.

One thing you don't want to do is take too long of a pause. You have made it this far, and the last thing you want to do is take an extended break. If you do this, you risk losing steam, experiencing turnover of key players and forgetting what was discussed. To maintain momentum, you may want to perform a team builder of some sort.

The Value of a Thorough ERP Selection

Use this guide as your ERP selection checklist to help you budget and plan for all essential activities. Realistic expectations will help you avoid ERP failure.

This step-by-step selection process ensures you select an ERP system that helps you execute your business strategy. A thorough ERP selection also reduces your total implementation cost – you won't have to pay for excessive customisation as a result of selecting the wrong software.

Ultimately, you'll maximise your benefits realisation, as your ERP system continues to enable measurable process improvements.

Download our free checklist [here](#)