THE SECRETS OF SUCCESSFUL ERP SOFTWARE / BUSINESS ACCOUNTING SOFTWARE SELECTION

Choosing an ERP / Business Accounting software solution for your business can be time consuming and costly. If you select the correct system and implementation partner the costs will be more than justified and your business will be rewarded with access to information for faster and more effective decision making with many key benefits including increased customer satisfaction, improved cash flow, reduced administration overhead and happier staff.

THE ULTIMATE GUIDE

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INTRODUCTION

Choosing an ERP / Business Accounting software solution for your business can be time consuming and costly. If you select the correct system and implementation partner the costs will be more than justified and your business will be rewarded with access to information for faster and more effective decision making with many key benefits including increased customer satisfaction, improved cash flow, reduced administration overhead and happier staff.

 Make the wrong decision and you can end up spending hundreds of thousands of dollars on a system that gives you less information than you previously had and costs thousands of dollars in monthly upkeep. Once a new system has been implemented changing your mind can be very costly.

So how do we avoid these mistakes?

Most small to medium sized businesses (turnover of $5 million - $50 million) in Australia ask the Finance Manager / Business Owner or IT Manager to source a new solution and business partner / reseller for implementation. The challenge is that most people are only ever involved in one or two software selection processes during their careers and there is not much documentation available to assist in this area.

The team at Leverage Technologies has seen many organisations choose business accounting software /ERP Software solutions. We have taken the best methodologies that we have seen over the years and have come up with the following software selection methodology.

CHAPTER 1 – WHY

Before you even begin searching for a new business management solution, ask yourself the question – WHY are we going to market? What is the NEED that you have? Generally speaking companies who are going to start searching for a new business management solution do so for one or more of the following reasons:

- Outgrown existing solution,
- Using a system which is no longer supported,
- Looking to consolidate separate systems or solutions,
- Wanting better reporting,
- Looking for new technologies – mobile / Cloud / BI etc.

It is important to know why you are going to market and to ensure that you can articulate these reasons to potential vendors and within the organisation – so that everyone understands the importance of the project.

CHAPTER 2 – PROJECT TEAM, BUDGET AND TIMELINES

Many small or medium sized businesses in Australia don't bother establishing a project team for software selection and this is

potentially a big mistake. My suggestion is that you establish a project team who represent the various business units in your business. Also establish your budget and timelines at this point in time. Budget is very important as there is no point spending hours reviewing great software solutions that cost more than double your budget.

CHAPTER 2 – PROJECT TEAM, BUDGET AND TIMELINES

CHAPTER 3 - REQUIREMENTS

Having established your need, budget and assigned a project team the next step should be to consider your requirements. This is generally done by appointing a "business lead" for each functional part of your business – finance, distribution, warehousing, manufacturing etc. Ask each business lead to put together a requirements list. For larger companies a requirements list might be a large and comprehensive document but for most Australian SME's a requirements list should be no more than 2 pages per functional area and should focus on the more difficult, critical and unique business requirements. This functional list is not a scope of works - it is purely an initial guideline for potential vendors.

CHAPTER 4 – PROSPECTIVE SUPPLIERS FOR YOUR ERP – GET ON TO THE WEB

Develop your draft list of prospective ERP software providers. This is a great opportunity to get onto the web and do some initial research. There are approximately 300 small to medium business applications / ERP Solutions available in Australia. Your choice of potential suppliers to talk to will depend on:

Budget – SME solutions in Australia are sold and implemented for anything from $25,000 to $500,000. If your budget is $100,000 there is no point in considering solutions which will cost $500,000.

Requirements– broadly speaking your companies' requirements will fall into one of a few different categories – distribution, manufacturing, point of sale etc. If your company is a distributor of medical devices (for example) look for case studies and examples from existing suppliers – i.e. case studies in your industry.

Company size the size of your organisation (based on employees and turnover) will have an impact on the products and vendors that you shortlist. Larger companies tend to have more complex requirements and larger budgets. Do you need full ERP or small business accounting solutions?

Number of users – certain products on the market are better suited to only a small number of users.

Complexity of requirements – Some organisations (large and small) have more complex requirements – inter-company,

scheduling, landed costs etc. Again when doing research on the web look for references and case studies for organisations that look about the same size as yours and are in the same / similar industry?

Technology requirements – do you have any specific functional requirements – for example must have mobile capability or must be compatible with Apple etc.?

Support options – look for a vendor that has the sort of support options that you require. For example do you require nine to five support or do you require evening and weekend support?

Geographical support requirements –most vendors offer dedicated telephonic support but what about on-site support? Ensure that the companies on your shortlist have options to provide you with on-site support. This does not mean that they need to be down the road from your offices but it does mean that you have a plan in place to get consultants on-site relatively quickly and at a low cost.

Do some research on the web and select between three and five potential ERP / business software suppliers.

Once you have settled on the top three - five ERP / business accounting software applications that you want to consider then you will need to review whether these products are supported directly through the vendor or through a network of business partners / resellers. Once again the web is a great source of information. Most software company and reseller company websites have video demonstrations, case studies and other useful information which will assist you in making an informed decision with regards to which companies should be on your initial shortlist. Experience has shown us that a

shortlist of three to five companies to have your initial discussions with is about the right number – any more than this and the workload becomes unmanageable, any less than this and you are not getting a true reflection of what products are on the market.

The next step is to make contact with the three - five ERP / business accounting companies on your shortlist and ask them to come to your offices for an initial discussion. This initial discussion should NOT be a product demonstration. This meeting should be about the companies on your shortlist finding out more about your organisation and your specific requirements. Your potential supplier should use this meeting to ask you several questions about your business requirements – both generic and specific. This is also your opportunity to ask questions about the potential provider of services. At this first meeting you are typically trying to qualify this potential solution provider in or out on the basis of:

1. What customers do they currently support who are similar to you?
2. What sort of budget is required to implement a system like the one that they are offering?
3. How many customers do they have in Australia and in your state?
4. What vertical market expertise do they have?
5. How do they handle post implementation support?
6. Etc.

Your objective during this meeting is to be in a position to establish whether or not you have made the right decision on your initial shortlist of three - five companies. As an example there is no use continuing to spend time looking at a potential solution if:

· Geographically they cannot offer you support,
· They are outside of your budget constraints,
· They do not have the level of functionality that you require,
· They have no experience in your industry or similar industries.

At this meeting give the potential suppliers your company list of requirements that you completed in step 3. Ask your potential suppliers to review the list of requirements and to make sure that the demonstration that they provide to you (next step) will focus on these requirements. Also ask the potential vendor to highlight any areas on your requirements list that they believe will be difficult for them to deliver as part of their standard solution.

 The next step is to ask your potential ERP suppliers to put together a demonstration of their business management solution for you. This initial demonstration should take approximately 2 hours and should focus on your business requirements. There is no point a software company showing you how great their software is for manufacturing bicycles if your business is in IT distribution. Make sure that the potential software provider tailors the presentation to your specific requirements. Make sure that you have a reasonable representation of people from your business at this presentation – usually at least one person from each functional business area (finance, warehousing etc.). Ask lots of questions and make sure that someone takes notes on the various areas of functionality that the software looks good and not so good at.

Your objective during this phase is to get a good overview of the various software applications that you have shortlisted and by the end of the presentations you should be ready to narrow the shortlist down to 2 potential suppliers. Why 2 – once again this is a manageable number given the time required to go into the next phase of the evaluation.

The next step is to ask the potential ERP suppliers to submit rough / budget estimates for their potential solutions. At this point in time all vendors / potential vendors will tell you that it is difficult to give you a price at this point in time but all you want is indicative / budgetary pricing.

So you are now making a really tough choice – you need to narrow your selection down to a shortlist of 2. One of these has to be the preferred supplier and a second "back-up" choice. The next phase of evaluation is time consuming – for both your business and your potential supplier. You cannot proceed to the next stage without a shortlist of 2 (with 1 preferred).

CHAPTER 5 – SCOPE OF WORKS

Arguably the most important aspect of any successful ERP implementation the team at Leverage Technologies believes that there are two stages to a successful scope of works.

1. Pre-sales high level scope of works
2. Detailed implementation scope of works

The focus of this whitepaper is the software selection process and as such we will focus on the pre-sales high level scope of works.

Having selected two companies on your shortlist and having one as your preferred option you are now ready for the next step. Tell the vendor / reseller (the one that is your preferred option) that you want them to do a high level pre-sales scope of works. The scope of works for smaller businesses would typically involve one day of on-site work and one day of off-site documenting and testing. For larger businesses the scope of works could be 3 – 5 or even 10 days. The objectives of this phase are:

1. Get an opportunity to work with the consultancy team from the reseller,
2. Give the reseller an opportunity to understand your requirements and to give you a more detailed proposal and accurate assessment of days required to implement your solution,
3. Give your users an opportunity to discuss their requirements in more detail,
4. Find out if there are any major functional gaps in the proposed solution.

Once the pre-sales scope of works is complete the prospective vendor should be able to provide you with a well documented proposal and pricing for:

· The correct number of licenses required,
· Hardware and hardware configuration,
· Database and other related software requirements,
· Days required for implementation, training and system configuration,
· Days required for integration and development work (if required),
· Annual maintenance (year one – three).

You should also have the following information:

· Gaps in functionality should be listed,
· Service level agreement and end user license agreement,
· Methodology for implementation,
· CV's of team who will work on your implementation.

At this point in time you are ready to ask for a copy of the vendor license agreement and service agreement. Asking for a fixed price implementation based on the scope of works is also a good idea.

Having run this process you are now in a position to make a final decision. If you decide not go with the company that you initially shortlisted and "preferred" i.e. did the scope of works with then you should run the scope of works process again with your "second choice" on the shortlist - until you are comfortable that you have the right solution from the right partner.

Final points to note:

- Ask for a fixed price implementation (based on agreed scope of works),
- Ask for milestone based payments,
- Ensure sufficient project management (usually 10% - 20% of total project cost),
- Insist on a structured approach / methodology,
- Insist on meeting the team members who will work on your site – interview these team members prior to making your final decision (the team members who will be your project manager, implementation consultant, support consultant etc.).

Take extra time and care to ensure that you get the right ERP software and right implementation partner. The rewards from a good ERP Software implementation will provide a quick return on investment through improved customer service, better cash flow and access to information for decision making.

Let us help you with your ERP selection process.

Give the ERP Experts at Leverage Technologies a call on 1300 045 046 or e-mail the Leverage SAP team at sapbusinessone@leveragetech.com.au

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