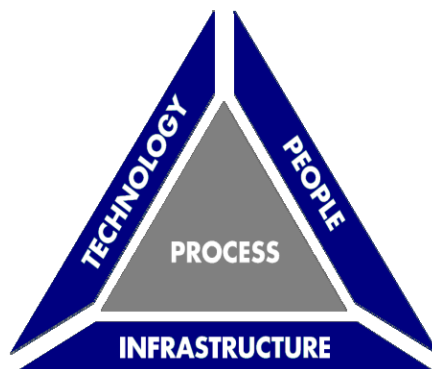**Presents**

Proven Process for

Successful ERP Selection

Considering a new Enterprise Resource Planning (ERP) system?

Before embarking on an ERP project, a company must begin with examining their Corporate Core Values, Vision, Objectives and Strategies.   These components become the foundation for any major project in the company.   Why are we doing this project? How does it fit with our Business Strategies and is it consistent with our Core Values, Vision, and Objectives?

To properly initiate the ERP process, company senior management must articulate Corporate Goals and Strategies:

XYZ 's Corporate Goals
- XYZ's corporate objectives---for 2011, 2012, and 2013
- Profits…..
- Growth…..
- Stability…..
- New Business
- People
- Image
- Immediate need to ……..
- Plan for………

XYZ's Corporate Strategies
- The strategic focus of XYZ Corp. is ……….
- Customers……
- Marketing…..
- Products…..
- Product Configuration…..
- HR—People…..
- Systems…..
- Facilities….
- Supply Chain Management
- Service and Parts
- Rental
- Clients have responded to XYZ's…….
- Immediate need to ……..
- Potential for accelerated Growth…? Acquisitions?
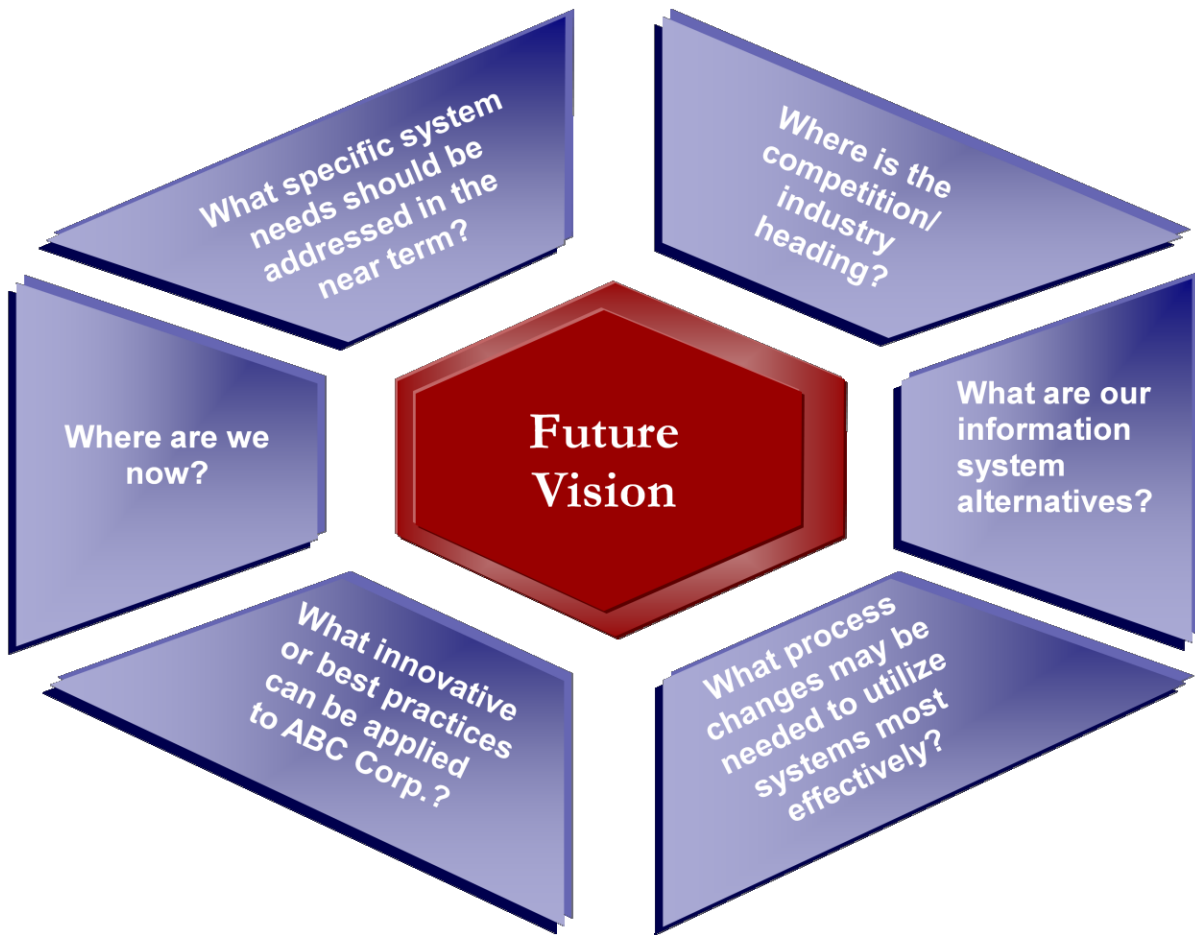
The overall objective of an ERP system is to link the business objectives and goals of the organization to the efficient deployment of resources through the development and implementation of information technology, further enabling improvement of the organization's ability to respond to the changing market demands for information and customer service
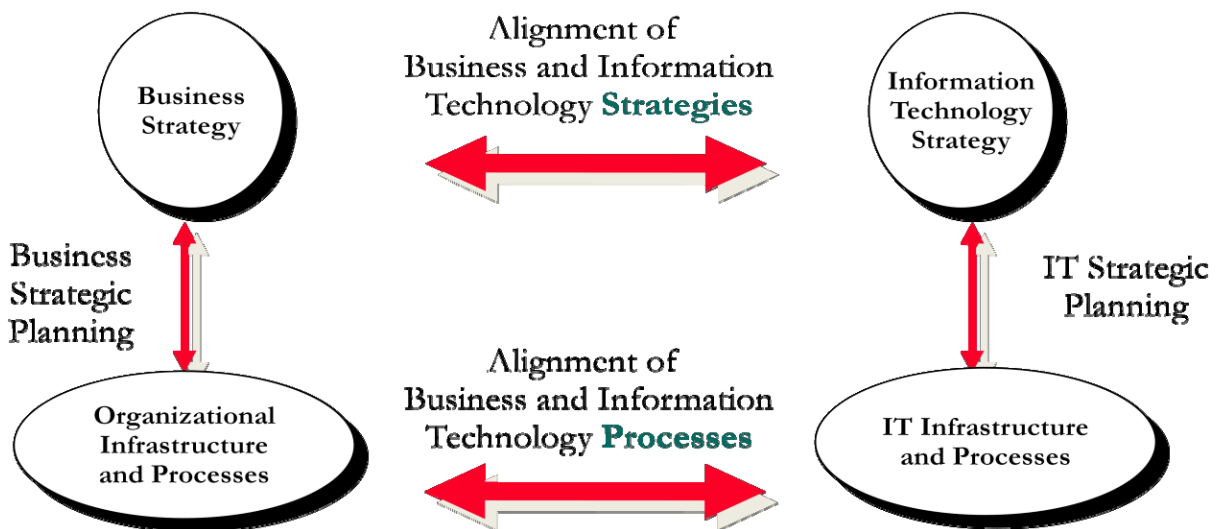
The major technology research firm, Gartner Inc., recently reported the 3 highest priorities for IT spending presently are:

1. **improving business processes**

2. **reducing enterprise costs and**

3. **Improving enterprise workforce effectiveness.**

Business Processes

Another key step is to objectively analyze your business processes, technology and people to determine if these are aligned with the Corporate Strategies.   Are the business processes truly "value-added" and in synch with Tactics that support the Corporate Strategies?   These projects are best achieved with independent, objective outside advisors/consultants that also bring best practices and knowledge from multiple industries.

During this phase of the project, the existing business processes need to be examined, but not necessarily mapped/flowcharted.   Key people in each process need to be interviewed regarding the business processes, activities, workflow, people/roles, and approvals, as well use of information systems.   Independent consultants can objectively challenge why things are done and "we've always done it that way'.   The flow of processes to be reviewed are typically:
  ➢ Order to Cash
  ➢ Customer Service and Support
  ➢ Procure to Pay
  ➢ Financial and Management Reporting (see our separate whitepaper)
  ➢ Human Resources and Payroll

The typical outcome from this critical effort is a Gap Analysis of the current people, processes and technology compared to the Future Vision of what is needed.   The Future Vision is documented in the form of ̲To Be' Process Flow Maps and Narrative Descriptions.

Some companies also choose to develop a business case that creates key targeted business improvements and quantifies estimated $ values (business impact).   These become a critical component for justification of the project.   Furthermore, throughout the implementation process, these business improvements are revisited to ensure these are achieved.

This stage allows the business to develop a consensus of agreement on the Future Vision among the Executive Team, key management, and SME team members.   This becomes a key factor in dealing with the critical "change management" process required for the successful deployment of the Future Vision processes and ERP systems.

IT Assessment

During this phase, it is essential to analyze the corporate IT software (including any current ERP solution), hardware, people and practices to determine if they are aligned with the Future Vision.   Many companies assume the current ERP system is incapable and a root cause of problems.   Sometimes it turns out the company is behind several versions of the software.   Some new versions may contain desired features that support the Future Vision.   Once this objective, independent assessment is completed, senior management can determine next steps.   Typically to achieve the Future Vision, revamping of processes, people/roles and technology is required.   The technology component usually requires an upgrade of the existing system(s) or the selection of a new ERP system.

ERP Selection Process

If a new ERP solution is needed the first step is to form the company's Core Team for ERP Selection and Implementation.   This team needs to be comprised of the company's "Best and Brightest" from several departments.   The Core Team should also have an Executive Sponsor from the –business side of Leadership Team. Core Team membership represents a major time commitment (especially in the implementation phase), so the company must be prepared to backfill their positions at several critical times in the ERP Process. Furthermore, there typically is some resistance by senior management or department heads to taking these key people from their day-to-day roles. But management has to respect that this project is for "the greater good" and most important initiative within the company that will impact the future success.

Here is an overview of the work-steps in the ERP Selection Process:

1. Identify support for:
    - A. Handheld devices
    - B. Branch devices
    - C. Monitoring and alerting feeds
    - D. Estimating systems
    - E. Warehouse distribution systems
    - F. Vendor collaboration systems
    - G. Business Intelligence, Data Warehouse and Management Reporting
    - H. Any other key interfacing systems
2. Compile transaction volume statistics
3. Identify likely vendors, pros/cons and conduct Selection Team session to determine finalist vendors
4. Prepare and Issue RFP to vendors and conduct vendor meetings
5. Respond to vendor calls/inquiries over 4 wk RFP response period
6. Guide the Selection Team to evaluate proposals from vendors (3 to 4 vendors in evaluation process)
7. Conduct Discussions with top vendors to coordinate Selection Team vendor "scripted" demonstrations and site visits to current clients; create demo scripts

8. Participate in (3 to 4) vendor demos & post demo rating sessions (2 days per vendor)
9. Guide the Selection Team to make a comprehensive financial analysis of top vendors
10. Conduct Preliminary Vendor negotiations
11. Facilitate Selection Team meeting to identify the best-fit vendor.

Now let's expand several critical elements of these key work-steps:

Typical Key Differentiators for Potential Short List Candidates

To achieve a truly objective ERP selection project, it is important to have a set of selection criteria.   Below is a sample set of selection criteria:

- Functionality
- Support for XYZ's Growth Plans and Future Business Model
- Implementation Timeframe
- Cost (Hardware, Software, Maintenance, Implementation Services)
- Flexibility
- Technology
- Vendor Complexity
- Stability of Product/Number of Installs
- Industry Qualifications and Market Focus
- Ease of Fit With Key Supplier or Major Customer

Next, the team needs to prioritize each of these criteria and have a "value factor' for each of these.   Facilitation may be required to tease out the critical criteria and establish the "value factor" metrics. Later in the vendor selection process, each vendor will be rated by the team based on these criteria and become a focal point for the final evaluation. Obviously, the vendors should not be told the criteria or the ranking system.

Critical Success Factors

- Executive sponsorship to support a successful system selection while maintaining the current organizational commitments
- Strong internal leadership
- Project planning and control
- Creation of a strong and dedicated project team with application and technology consulting support from consultants
- Confirmation of strategic initiatives
- Establishment of milestones
- Constant user involvement and communication to facilitate knowledge transfer to XYZ's team
- Identification of project issues, quick resolution
- Planning and establishing a solid technical environment

The Key to Successful Systems and Process Design Is Ensuring the Integration of Several Key Elements

A **Process View** Is Critical to
Ensure the Design Supports the
Entire Value Chain

New Technologies Are Now
Available to Provide Powerful,
Creative Ways to Use
Information to Compete

TECHNOLOGY

PEOPLE

PROCESS
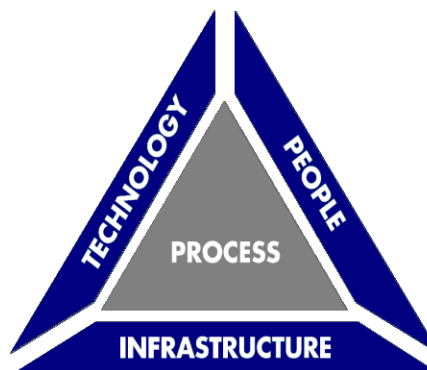
INFRASTRUCTURE

People-Enabling Practices Provide
for Increased Creativity, Decision
Making, and Flexibility

New **Infrastructure** Concepts Promote
Innovative Organizational Structures,
Designs, and Management Processes

Hopefully this whitepaper has been helpful and provides guidance to your management team. In future whitepapers, we will cover ERP implementation as well as Optimization of Existing ERP Systems.

Contact BTCG for more information at info@btcgllc.com or 1 920 836-3456