

The Secrets of

Successful ERP Software Selection



leverage
technologies

Leverage Technologies, 2021

If you are looking for practical guidance on running an ERP software selection process from start to finish you will benefit from the ERP selection insights of our expert consulting team. This will help you prepare properly, ask the right questions, and make a smart choice.



The transformative power of enterprise systems is immeasurable.

An integrated Enterprise Resource Planning (ERP) solution gives you complete visibility across all business functions, which improves efficiency, streamlines processes, enhances the customer experience, simplifies reporting and financial management, and allows you to do more with your data.

That's a lot of potential within one platform. The question is, which platform?

Deciding on the right software for your needs can be confusing, time-consuming and costly.

This eBook takes you through the key steps:

- 1 | Preparation
- 2 | Research
- 3 | Shortlisting
- 4 | Planning for Implementation

Helping small to medium enterprises to articulate their objectives - and achieve them - by adopting the ideal enterprise system, is what Leverage Technologies does best. We've created this guide to help you confidently make the right choice for your business.





Step 01

Preparation

Choose well and reap the rewards.

Choosing an enterprise solution to underpin high-level financial and business process management is an important decision. One that will have ramifications for your immediate and long-term success.

Make the wrong decision and you can end up investing heavily on a system that gives you less information than you previously had and further sunk costs in monthly fees. Once you've implemented a solution, changing your mind can be very costly - you could be stuck with the mistake for many years - that decision has a productivity cost.

On the other hand, if you select the correct system and implementation partner, the investment will be more than justified and your business will be rewarded.

The benefits of choosing the right solution for your needs include:

- Faster and more effective decision-making
- Reduced silos of information and smoother workflows
- Reduced administration overhead
- Increased customer satisfaction
- Improved cash flow and profitability
- Empowered and engaged staff

Why should you use our selection methodology?

We specialise in helping SMEs (turnover of \$5 million - \$150 million) to find and implement a unified and perfectly tailored solution that meets their needs, now and into the future.

Often the job of identifying a new solution and selecting a reseller is left to the business owner or a senior leader from finance or IT. The challenge is that most business executives are only ever involved in one or two major software selection processes throughout their career.

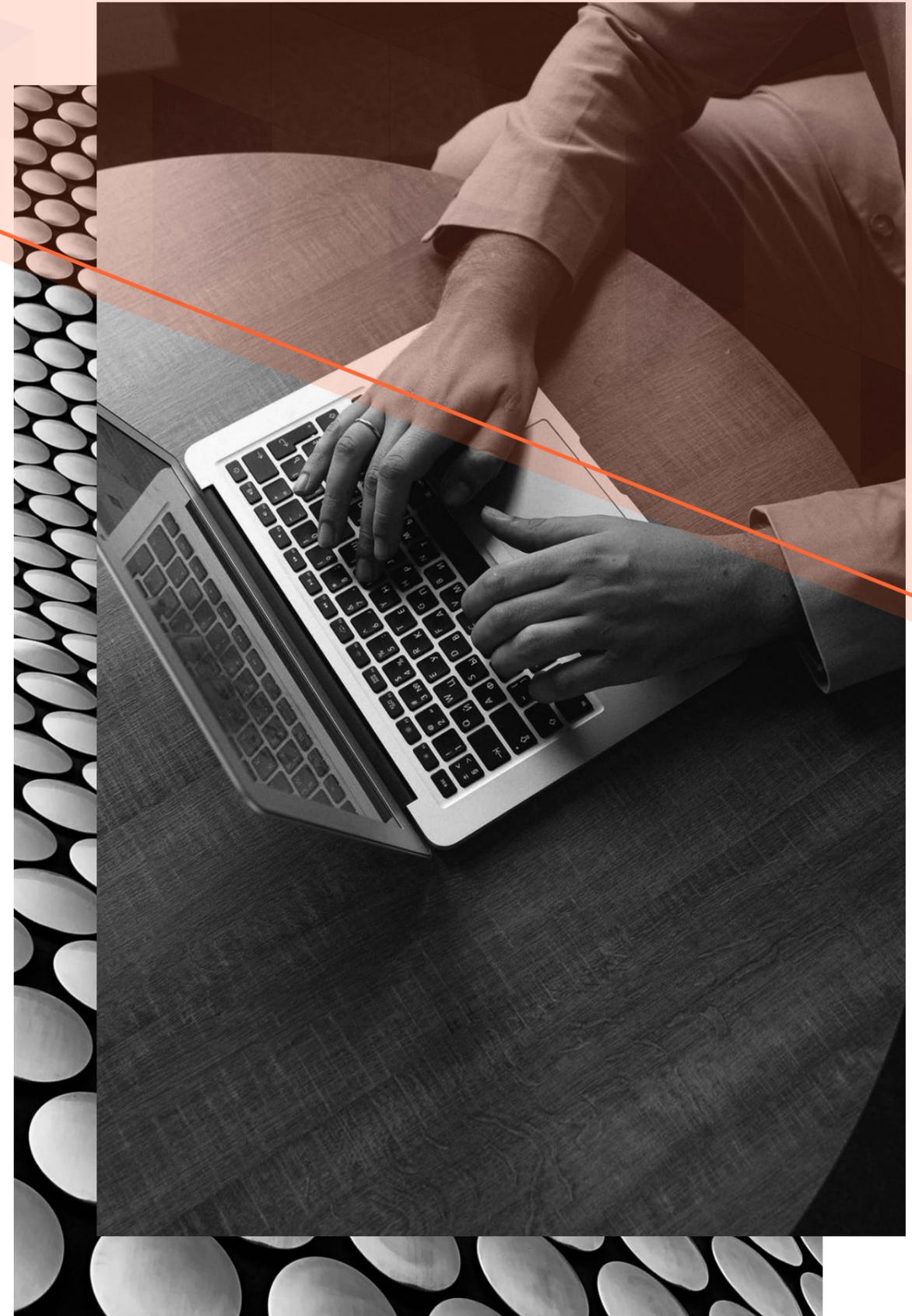
Leverage Technologies guide people through these type of choices every day.

Our reputation for reliably delivering quality ERP solutions means that much of our work comes from referrals, and we're highly awarded by the software vendors we partner with.

Our track record of success in technology consulting is built on:

- An unwavering commitment to doing what's best for our customers
- High levels of business knowledge, technical expertise and integrity

We know there's not much in-depth documentation available to assist businesses in selecting an ERP solution, so we decided to draw on our experience to share what we believe are best practices in software selection methodology.



Before you go to market and before you even begin searching for a new enterprise solution, ask yourself the following questions:

WHY are we going to market?

What are your needs?

Start with, Why?

Generally speaking, companies start searching for a new business management solution for **one or more of the following reasons:**

- You have outgrown your existing solution
- Your current system is no longer supported
- You want to consolidate multiple, separate systems or software
- You require comprehensive reporting and business intelligence
- You want to embrace innovation - cloud computing, mobility, IoT

Modern enterprise solutions offer a breadth and depth of functionality and consolidate business-critical information within one database. **However, ERP systems vary in terms of:**

- Deployment methods available
- Extent of functionality and features
- Industry-specific suitability
- Underlying architecture and flexibility
- Third-party applications
- Usability and mobility
- Development and release cycles
- Licence and implementation costs

Differentiating between the available software providers can be confusing. Understanding the driving force behind selecting a new system helps provide guideposts for comparing solutions.

When you know why you are going to market, you can articulate your reasons to potential vendors, and avoid being sidetracked by exploring options that don't fundamentally address your needs.

It also helps you communicate this significant change within the organisation so that everyone understands the importance of the project and the likely benefits that will result.

Create a team, set a budget and give yourself a deadline.

Many small and medium-sized businesses in Australia don't bother establishing a project team for software selection and this is potentially a big mistake.

We suggest you **establish a project team** who represent the various business units in your business. The input of employees from core areas will help ensure that key criteria for your new system are not overlooked.

Also, **establish your budget and timelines** at this point in time. Cost is not the most important factor to consider when comparing solutions, but setting a clear upper limit on your investment allows you to easily rule-out some software solutions (regardless of how great they are). This minimises wasted effort and helps you reach a decision sooner.

Set a deadline for when you'll make a decision about selecting a solution, to focus your efforts. Also, establish an approximate time frame for having the solution up and running across your organisation (keep in mind implementation projects can take several months depending on the complexity of your needs).

Signs your current system doesn't cut it.

- Your team finds the system too slow and inconvenient
- Only a few people know how to use or maintain the system properly
- Employees create workarounds and separate spreadsheets
- Lack of coordination and data-sharing causes delays and errors
- Finding info and compiling business-wide reports takes weeks
- You keep buying standalone applications for different functions
- Getting new employees up to speed on workflows is difficult

Generate a list of high-level business requirements.

Having established your need, budget and assigned a project team the next step should be to consider your functional requirements. We suggest appointing a business lead for each functional part of your business: finance, distribution, marketing, manufacturing etc.

Ask each business lead to put together a list of essential, difficult and unique functions that the new system should perform. Your business is not the same as every other business, and some organisations are especially niche or complex - what are the most important operations your new ERP solution must enable?

Don't assume an ERP system will have a feature - if you need it, add it to your list.

For larger companies a requirements list might be a large and comprehensive document but for most Australian SMEs a requirements list should be no more than two pages per functional area.

This functional list is not a scope of works - it is purely an initial guideline for potential vendors.

Step 02

Research

Research and create a list of potential solutions.

It's time to research the available ERP software products. There are hundreds of ERP solutions aimed at small to medium businesses that are available in Australia, so allow some time to investigate and digest the information you find.

Starting online makes sense because leading software vendors have detailed information about the value and features of solutions via their websites. Reviews and comparisons on independent websites are also worth exploring but ensure they are based on the current version of the product, are reputable sites, and are written by credible sources. Remember, it's never wise to rely solely on one person's opinion.

The goal is to develop a list of **fewer than six potential ERP solutions** that tick most of your boxes.

Hone in on 3-5 short-listed ERP solutions by considering how well different systems match your:

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:

Some solutions emphasise different functionality more strongly or are targeted at certain industry verticals. Try searching for ERP systems that are built with your priority features in mind. If you operate within a specific industry, look for case studies and examples that involve similar companies.

Company Size:

The size of your organisation (based on employees and turnover) will have an impact on the products that you shortlist. Larger companies tend to have more complex requirements and larger budgets. Is the solution aimed at large businesses or SMEs?

Number of Users:

Certain products on the market are better suited to only a small number of users. If scalability matters to you, check how easy and cost-effective it is to add new users. How scalable is the solution?

Complexity of Requirements:

Some organisations (large and small) have more complex requirements such as inter-company, scheduling, landed costs etc. Again, when doing research on the web look for references and case studies of organisations that have overcome similar challenges.

Technology Requirements:

What technologies does the system need to include or support? For example, does your team need to access the system via mobile devices? Does it need to be compatible with Apple? Would it allow you to embrace barcode scanning or leverage data from IoT devices?

Next Step: Find suppliers you can trust.

Once you have settled on the top ERP software applications that you want to consider, review whether these products are supported directly through the vendor or through a network of business partners/resellers.

Many leading enterprise solutions are sold globally through a network of certified business partners (also known as resellers). For example, Leverage Technologies partners with SAP, Sage and MYOB.

There are a number of reseller and implementation partners based in Australia, who may provide the same ERP software. Not all of these businesses have the same level of experience, expertise or insight into the intricacies of delivering a tailored ERP solution on-time and on-budget.

Based on the solutions you like, do additional research to find providers that:

- Specialise in configuring and implementing your chosen solutions
- Have the desired level of capability and experience
- Have a successful track record in your industry
- Can collaborate and combine well with your team
- Offer the kind of support options that you require
- Can provide cost-effective on-site support as needed

You may have come across providers when you completed your initial desktop research about products.

More research is required at this stage to determine which resellers you would feel comfortable working with during the implementation (which may take several months). Implementation projects require technical skill - but just as critically, the project's success hinges on collaboration and good communication between the solution provider and your team.

Look for case studies or testimonials from customers, evidence they are a stable and well-managed business, and signs that you can trust and respect the people involved. You may wish to participate in a demo, or just have a quick initial phone conversation.

We suggest creating an initial shortlist of around two to three business partners that you believe could capably supply and implement one of your top choices for a new ERP solution.

Experience has shown us that a shortlist of three to five products and companies to have your initial discussions with is about the right number. Any more than this and the workload becomes unmanageable, which makes it difficult to make a final decision.

Any less than this and you are not getting a true reflection of what products are on the market and different approaches to managing an implementation - that makes it tough to notice differences and determine the value of one provider over another.



Step 03

Shortlisting

Creating your “short shortlist” – your two preferred suppliers.

At this point of the process you should have:

- A maximum budget and rough time frame in mind
- A high-level list of business requirements
- A shortlist of 3-5 preferred software products
- A shortlist of possible reseller/ implementation partners

On the following page you will find an outline of what to do next structured by these four main key points:

- 1 | Sit down for an initial discussion
- 2 | Organise a demonstration
- 3 | Ask for a rough budget
- 4 | Select the top two providers

01 Sit down for an initial discussion.

Make contact with the reseller/business partners on your shortlist and ask them to come to your offices for an initial discussion.

Note, this initial discussion should **NOT** be a product demonstration.

Instead, the meeting allows the companies on your shortlist to find 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.

Give potential suppliers your list of business requirements during the meeting. 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.

Take notes to help you qualify potential solutions/providers on the basis of:

- What customers do they currently support who are similar to you?
- Do they currently manage integrations or development work similar to your needs?
- What sort of budget is required to implement a system like the one that they are offering?
- How many customers do they have in Australia and in your state?
- What vertical market expertise do they have?
- How do they handle post implementation support?
- How knowledgeable and easy to deal with is their team?

Your objective is to be in a position to either eliminate some options or rank your shortlist in priority. For instance, you may rule out or de-prioritise certain solutions or providers 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
- You don't think you'll work well together during the implementation

02 Organise a demonstration.

Ask your potential suppliers to review your high-level list of requirements and develop a personalised demonstration of the solution you're considering that focuses on these requirements.

This initial demonstration should take approximately two hours. It's important it's tailored to align with your criteria—there is no point seeing how great their software is for manufacturing bicycles if your business centres on the distribution of electronics.

Make sure that you have a reasonable representation of people from your organisation's project team at this presentation. Ask lots of questions and make sure that someone takes notes on the various aspects of functionality and usability where the software looks good and not so good.

03 Ask for a rough budget.

The next step is to ask the potential ERP suppliers to submit rough budget estimates for their potential solutions.

At this point in time most potential vendors will tell you that it is difficult to give you an accurate price, but remind them that all you want is an indicative price.

04 Select the top two providers.

The initial chats, demos and budgets should give you a good overview of the various software applications that you shortlisted, who would be best to deliver them in partnership with your organisation, and what is most affordable.

Your project team should be ready to narrow the shortlist down to **two potential suppliers**. It may still be a tough decision, but by carefully weighing the evidence against your practical needs, budget and organisational culture - it's more likely to be a choice you can stand behind.

Why two? The next step is more intensive (for you and your potential providers) because it will result in scoping out the implementation in preparation for a final proposal and project plan.

Two options gives you a choice but doesn't burden you with an unmanageable amount of scoping and evaluation work (which takes time and effort). One provider may be your preferred supplier, and the second can act as a 'back-up'.





Step 04

Planning for Implementation

Scope out the project in advance of a detailed proposal.

Scoping is arguably the most important aspect of any successful ERP implementation.

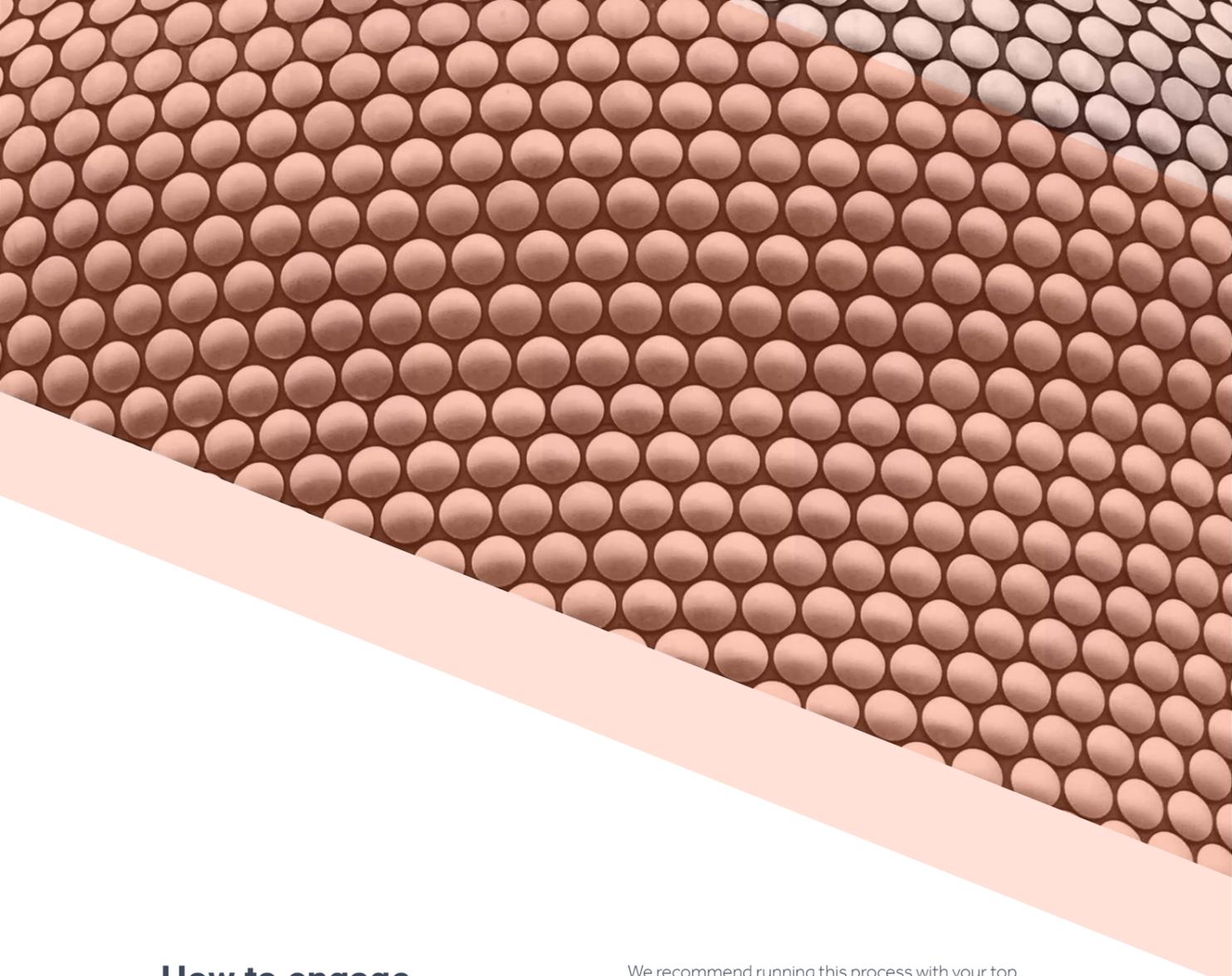
Leverage Technologies believes that there are two stages to a successful scope of works:

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

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

During the creation of a high-level scope of works you gain:

- A clearer picture of what outcomes would make your implementation project a success
- What needs to happen to achieve those outcomes during your implementation project
- An initial project plan with timelines, responsibilities and milestones for your business



How to engage potential providers?

We recommend running this process with your top choice of provider first—not concurrently with both shortlisted providers. The scoping assessment takes time and will require getting into the nitty gritty details of what's needed to strategically and technically make a solution work within your business.

Getting scoping right will depend on your attention to detail—participating in two scoping activities at once can lead to confusion and decision fatigue.

In an ideal world, your first choice will provide scoping documentation that beautifully outlines how your business requirements will be met and satisfies all of your questions and concerns. In which case, you can make your final decision and proceed to the next phase of implementation smoothly.

However, if at the end of the scoping activity, you decide not to proceed with your preferred provider (or you're still undecided), then you can undergo a pre-sales scoping process with your 'back-up' choice. Then you can compare and ask for refinements to the scoping documentation until you are comfortable that you have the right solution from the right partner.

What should pre-sales scoping entail?

Developing a pre-sales requirements analysis / 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 three to five days and up to 10 days.

Your objectives during the development of the scope of works are to:

- 1 | See what it's like to work closely with the provider's team (project and support staff)
- 2 | Help your preferred provider to understand your requirements and 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 | Detail the implementation scope of work

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

- The correct number of user licenses required
- Hardware or cloud 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 or monthly maintenance and cloud fees (year one – three)

It's advisable to insist on receiving the following information as well:

- A list of the gaps in functionality
- Service level agreement and end user license agreement
- Overview of the provider's methodology for implementation
- CVs of the team who will work on your implementation

This is also the time to get clarity around **the project management approach and payment model that best suits your needs. Ask about:**

Can you get a fixed price based on the agreed requirements analysis?

What are the provider's time and material fees?

What are the billing options and milestone-based payment structures?

Has sufficient budget been allocated to project management (10% - 20% of total cost)?

Whether a linear or agile methodology is best and how it will be managed?

Then it's up to you whether you're happy with the proposal, or you'd like to undertake an additional scoping process with your second choice of provider.

Once you make a final decision, you're ready to advance to a detailed implementation scope of works with your chosen provider—and you're well on your way to adopting your chosen ERP solution and reaping the rewards!



Choose carefully now to maximise ROI later.

A thorough approach to selecting your new enterprise solution, and the team that will implement it within your organisation, ensures that you get the right fit. Both choices are equally important.

Your initial choice of solution lays the foundation for achieving the outcomes you desire - but the potential of any piece of software is only realised by how effectively it supports improved processes and workflows in your business day-to-day. A well-run and carefully tailored implementation makes that possible.

Following the steps we've outlined in this eBook will help you choose and embed the ideal ERP software solution, and achieve a quick return on investment through improved customer service, better cash flow and access to information for decision-making.

No business - large or small - should implement technology for the sake of having the latest technology. Focus on business benefits:

- Improved customer service
- Better cash flow
- More engaged team members
- Access to data for better decision-making



Need more advice about ERP selection and implementation?

Talk to the Leverage Technologies team. Since 2005 we've managed hundreds of successful implementation projects in collaboration with SMEs just like yours.

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