

Part 2: Guide to Selecting the right ERP system for your business

The implementation of an Enterprise Resource Planning (ERP) system to overhaul and automate business processes is a significant strategic investment for any organisation. Buying the right system and choosing the best vendor partner are critical to a successful implementation – because in this instance the word ‘partner’ isn’t just a figure of speech.

ERP systems are not out-of-the-box, set-and-forget solutions, and a business looking to implement one must realise it’s beginning a relationship that will continue for as long as the solution and likely, their business, is operating.

In the first article of this series we identified a number of ‘pain’ points that typically indicate the time is right to upgrade your existing financial system to an ERP solution. These could include rapid business growth causing pressure on systems, the emergence of data silos & processing bottlenecks, or a fall in productivity. We suggested utilising external parties such as your accountant, business analyst or an ERP vendor to assist in mapping out your current business processes – to identify your key areas and needs.

With those tasks completed it’s time to put together a shortlist of contenders which will primarily consist of two things – what’s the right ERP system for your business – and who’s the right vendor partner to implement it?

So where do you start? For those accustomed to small business and personal software solutions, the ERP landscape has some unfamiliar characteristics. Unlike personal or small business software, there are no dominant players. It is a market with many software vendors and even more implementation companies. Your goal should be to narrow that list down to two or three vendors - using the following 4-point checklist to filter your options;

1) Is this ERP solution a good ‘fit’ for our organisation?

While Tier 1 ERP vendors like Oracle and SAP have begun offering solutions in the Tier 2 space and beyond, prospective clients should be wary of buying more than they need. Most vendors will be happy to tell you whether your organisation is a fit for their product (this is usually defined by your annual turnover and number of users) – be sure to ask - and look for software vendors and implementers skilled in dealing with organisations of a size roughly similar to your own.

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2) Does this solution provider have expertise in our industry?

While the core financial solutions offered in all ERP products will support common business activities such as accounting, planning, financials, sales and customer management, there is something to be said for the value brought by a provider that has dealt in your sector before. Be it poultry farming, transportation or furniture manufacture - if your vendor is familiar with the processes and pitfalls of your particular industry they should be able to add significant value to the process. And remember it is okay to ask for current client references.

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3) Is the Implementer Close?

Although you may choose ERP software developed by a national or global player, it's always wise to look locally for an implementation partner. When considering service and support, for example, a partner that's a 30 minute drive away is a much better option than one who has to fly across the country to see you. Location is also important when considering staff training requirements – will your implementation partner train your staff on-site, or at their offices? Given that ERP solutions require an on-going relationship with your implementer, decisions around support capacity are critical – and it wouldn't hurt to actually like the people you'll be dealing with, as you'll be seeing a lot of them.

4) What are the likely costs?

As part of your initial preparation to find a vendor you should have established what core modules you'll require and how many users you will have. Given that information, most vendors should be able to give you a price on the software component of their solution over the phone. The majority of solutions will have a 'core' set of modules - accounting, stock control, purchasing management and reporting for example. So be sure to evaluate one vendor's 'core' prices against another's when making cost comparisons. Remember though, that in addition to software, the real price of an ERP solution includes implementation, annual licensing and on going support. A good rule of thumb is that if the software costs \$25,000, then the implementation will cost another \$25,000. Remember to factor in annual licensing costs which are typically around 20% of the software cost only – so around \$5,000 in this case. After establishing a baseline cost, also enquire about the cost of adding additional modules – you want your business to grow and you need to know your ERP system can grow with you.

The Final Phase

The process of deciding on an ERP solution should never be hurried. Taking three to six months to get to decision stage would be typical, however 12 months is not uncommon. The final stage of the process centres on establishing final costs and evaluation of the demonstration. The demo will be one of the few occasions you'll get to see a system in action before you buy it so thorough preparation in the following three areas is very important.

Ensure The Demo Is Relevant

You want an ERP system that meets the requirements of your business. You will have thoroughly briefed the vendor on what those requirements are, but you should also prepare scripts that reflect a typical workflow through your business, and have the vendor demo those. The key here is you want to see the solution targeted for your industry or needs, to get an accurate idea of what it's going to look like for you when you install it.

Involve All The Key Stakeholders

Ensure the key stakeholders of each area or division within the company who is going to use the new ERP system attends the demonstrations, and asks questions that relate to their specific requirements. They should leave the demonstration comfortable that the system can deliver what they require of it, and if not, they'll need to be prepared to discuss their concerns.

Conduct Post Demo Analysis

After the demonstration the key stakeholders need to give feedback on the solution. Will it meet the requirements of their department? What areas of concern do they have? It may well be that the vendor can address any concerns with some customisation – but remember, customisation could come at an additional cost but if it makes the overall solution specific to your needs that cost is easily returned in productivity

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Decision Time

By this stage you have mapped your business processes, established a shortlist of vendors, evaluated several demos that were relevant to your business, and sought feedback from all your key users. You understand your upfront costs, your customisation costs and you're on-going support costs. You're ready to make a decision and move forward to your implementation



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