

HOW TO SELECT THE RIGHT ERP

A step-by-step guide for
manufacturers choosing
an ERP



CONTENTS

INTRODUCTION	5
WHAT'S AN ERP.....	7
SET YOUR SELECTION TEAM.....	8
EVALUATE YOUR SPECIFIC NEEDS	10
IDENTIFY POTENTIAL ERP VENDORS	13
SCHEDULE CONSULTATIONS	14
SHORTLIST AND CHECK REFERENCES	16
CHECKLIST.....	

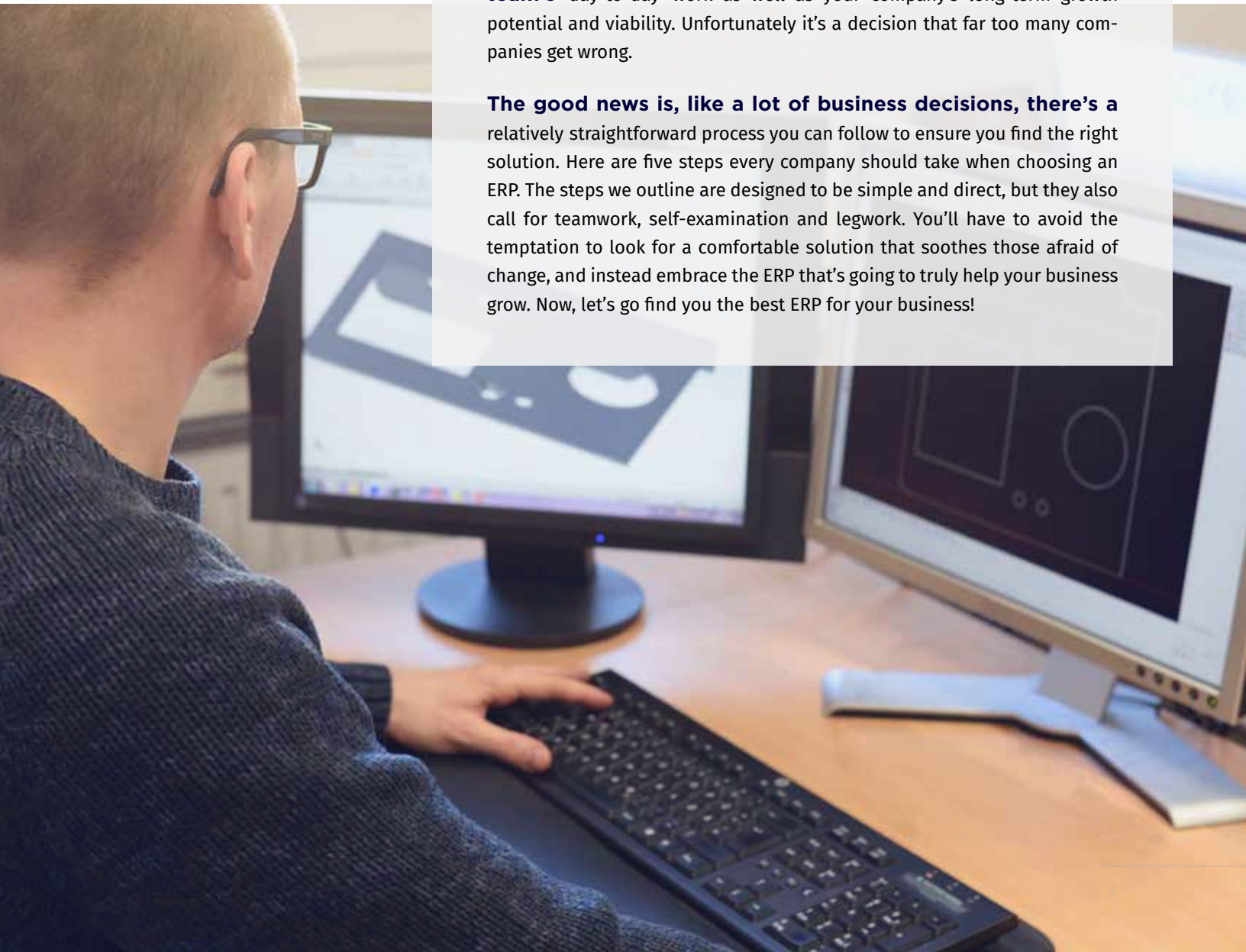


INTRODUCTION

FIRST OFF, THANKS FOR DOWNLOADING THIS EBOOK. WHETHER YOU ARE JUST STARTING YOUR SEARCH OR ALREADY ON YOUR WAY, WE'RE CONFIDENT THIS GUIDE WILL HELP YOU FIND THE RIGHT ERP FOR YOUR NEEDS.

Choosing an ERP is a critical decision. It will impact your team's day-to-day work as well as your company's long-term growth potential and viability. Unfortunately it's a decision that far too many companies get wrong.

The good news is, like a lot of business decisions, there's a relatively straightforward process you can follow to ensure you find the right solution. Here are five steps every company should take when choosing an ERP. The steps we outline are designed to be simple and direct, but they also call for teamwork, self-examination and legwork. You'll have to avoid the temptation to look for a comfortable solution that soothes those afraid of change, and instead embrace the ERP that's going to truly help your business grow. Now, let's go find you the best ERP for your business!





WHAT'S AN ERP?

This is a common question.
Let's start here.

If you want to get technical about it, the definition of ERP looks something like this:

Enterprise Resource Planning (ERP) systems are a category of business-management software, typically consisting of modules that a company can use to collect, store, manage and interpret data from its many business activities.

Admittedly, that's a complicated definition. Simply put, you can think of ERP as software specifically designed to help a business manage, measure and improve operations.

Remember the old Apple commercial "there's an app for that?" Well, a good ERP system is basically an app for your entire manufacturing business. The right ERP will be designed to manage your specific business operations, the same way Google Maps is designed to help you find the right route home.

So when it comes to ERP selection, your company likely has some work to do; from a range of choices, you want to find the best ERP for your specific needs. It's a bit like picking out the right vehicle. If you need to drive the kids to school, get groceries and take family vacations, a mini-van is the right choice, even if a two-seater convertible would look better in the driveway.

What to look for in a good ERP system

- ✔ **EASE-OF-USE**
No coders needed, and ready for your team
- ✔ **SHORT TIME-TO-VALUE**
Bottom-line benefits, starting in the first year
- ✔ **TIGHT IMPLEMENTATION**
Efficient, focused installation and training
- ✔ **FIT**
Designed for the needs and nature of your business

STEP 1**FORM YOUR SELECTION**

Kickoff: You know you're ready for an ERP, it's time to build your team.

ASSEMBLE YOUR A-TEAM

From the very beginning, selecting an ERP will require input from your key people – this can't be stressed enough. There are two big reasons to put your best people on this project: first, ERP selection requires an accurate and complete understanding of your company; and second, you're going to need all major stakeholders to 'buy in' early on - otherwise, pockets of your company might be resistant to the changes an ERP system brings, possibly undermining success.

LOOK OUTSIDE OF THE C-SUITE

Yes, the CEO may have the final say, but it's important to include team members that represent the full scope of your ERP needs, and understand how you'll be using the new tools once installed. Since an ERP system is about improving daily workflow, consider including people who will be on the system every day. Also think about adding different types of voices to the mix; there is no value in adding people that are just going to play follow the leader.

HOW BIG SHOULD THIS TEAM BE?

They say too many cooks make for a salty soup. It's usually true with soup, as well as with forming a selection committee. Since the new ERP will impact a lot of departments, try to include someone from each group, or someone who can speak for each group. But ideally, don't let your team get bigger than a NASCAR pit crew - four to six people is about the right number. If necessary, sub-committees can be formed to ensure that all departments are consulted.

Checklist for team selection

- Is each part of my operations represented?
- Are these the people I imagine making future business decisions with?
- Do these employees have good working relationships?
- Will these people effectively communicate intentions to other staff when needed?
- Do these employees have the confidence and respect of their respective teams?

STEP 2**EVALUATE NEEDS**

With the right team in place, it's time for a self-evaluation.

WHAT DO YOU NEED EXACTLY?

To find the right ERP, you need to truly understand who your company is and what you really need. Over a couple of meetings with your selection team, start digging into your processes and practices. Identify where operations are humming along and where they are lagging. Figure out what your pain points are before some sales guy tries to tell you where he thinks it hurts. This process can start with a group-wide conversation or brainstorming - whatever suits your panel - so long as it ends with a clear list of concrete needs.

WRITE YOUR NEEDS AS ACTIONABLE ITEMS

The best sentence for absolute clarity is "We need to improve _____ by _____." Maybe you need to improve profitability by cutting down on raw material costs. Maybe you need to reduce errors by clarifying procedures. Whatever the case, by phrasing it into an actionable sentence, you'll find it's easier to communicate your needs, internally and externally. Start thinking about cost, value, fit and ROI

An ERP purchase should be justified with a projected ROI. Different ERPs will package pricing and payments in different ways — so it's important to keep value and fit in mind, along with cost. A tool that costs less and doesn't have the features you need is more expensive in the long run, so there is less value. An expensive system that you'll only use 40% of isn't a fit either. Value and fit are every bit as important as cost.

We'll write a whole second eBook on factoring ROI for ERPs — the short answer is, it's complicated. But you can start with simple comparisons — like: "If ERP A can increase throughput by X percent at this point in operations, it will be worth Y amount annually."

The most common pain points that companies seek to address

- ✓ Employees losing time
- ✓ Information delays
- ✓ Error reduction
- ✓ Blind spots in operations
- ✓ Improve estimation process
- ✓ Inventory tracking
- ✓ Knowledge transfer
- ✓ Complete margin oversight
- ✓ Scalable growth
- ✓ Standardize profit margins

STEP 3



IDENTIFY AVAILABLE SOLUTIONS

With your needs clearly defined, it's time to see what's out there.

THERE ARE A LOT OF ERP SYSTEMS, SO CHOOSE CAREFULLY

No ERP can be everything for everyone — and you wouldn't want that ERP anyway. Anything built for everyone is built for no one. Just ask anyone who has ever bought one size fits all pants. There's also a ton of ERPs on the market, and you can't dig into all of them. Start by whittling the list down to ERPs that focus on your industry. An ERP built for retail or shipping isn't going to do a manufacturing company like yours much good.

FIND THE RIGHT FIT FOR YOU

Sorting through which ERPs to investigate and which ones to eliminate really comes down to your needs assessment. That list of your specific needs is your guide at this point in the process. Use those actionable “we need to improve _____ by _____” sentences to compare the offerings of various solutions. If they can't solve your main challenges, move on.

Each ERP system will come with its own set of proprietary features or modules designed with a certain type of company in mind. For instance, the needs of a 2,000-employee make-to-inventory repeat plant will be very different from the needs of a 200-employee engineer-to-order custom manufacturer. The ERP that suits one will likely not suit the other. Finding the one that fits you becomes clearer and clearer throughout the process.

START THINKING OF THIS AS PARTNER — NOT JUST SOLUTION — SELECTION

This is important. You know from your own business that finding the right long-term partner is more beneficial than just finding a short-term, one-off customer. It's the same with ERPs. You want to find the company, and the people, that are going to be there with you the whole way. The ERP relationship doesn't end at “it's a deal.” This is a new tool for your whole operation, and if you find the right ERP provider, they will help grow your business.





STEP 4

SCHEDULE CONSULTATIONS

Time to see what they really can do.

WHO TO INVITE?

The typical spread of ERP providers to invite goes something like this: a vendor based on a colleague's referral, a vendor based on size or reputation, a vendor your team found through needs/fit assessment, and maybe a vendor based on price. With this range of choices, one or two are likely going to stand out, and different members of your team will react to different companies.

HAVE QUESTIONS READY FOR EACH ERP PROVIDER

Better-suited ERP providers will be able to give better answers to questions that specifically address your needs. Given the complexity of ERP solutions and the delicate matter of implementation, it's extremely important to vet the true competencies of each company. Grill each company thoroughly. The good ones will welcome it and prove they are a worthy partner. The less-good ones will try to pivot or sell you an alternative.

GOOD THING YOU'RE PREPARED

Because of the work your A-Team has put in, you have a strong grasp of your needs. This will help steer the conversation during demos and product pitches. You're now an informed panel that knows what it wants to hear, and knows how to pick good providers out from the pack.

THIS STAGE IS A BIT LIKE AN RFP

If you can, prepare something similar to a request for proposal (RFP) to send to the ERP providers you've invited. It should outline your goals and any technical information that's relevant, along with timeline and other expectations. It doesn't need to be long, just something to reference and check.

STEP 5**SHORTLIST, CHECK REFERENCES**

Now narrow it down, and verify.

THE FINALISTS

When it comes to ERP selection, you need to narrow it down to a winner while you still have momentum. With a razor, take your shortlist and shave it down to two or three vendors. Don't find yourself stuck near the end with too many choices. If paralysis by analysis sets in, it will nix all your hard work.

CHECK REFERENCES

Companies don't just install an ERP, they experience the change it brings. So there's no better people to get feedback from than existing customers. From your shortlisted vendors, get references for manufacturers similar to you. If you're a custom manufacturer, be sure to speak with another custom manufacturer. If inventory is a big part of your assembly operation, then find another company with similar inventory management needs. And if a reference is close by, consider paying a friendly visit.

GATHER THE A-TEAM ONE LAST TIME

Look back on what you just accomplished. Pretty amazing. Your best people came together to help with a critical decision for the future of your company. You learnt, you laughed (at least once or twice we're sure), and you listened to each other. Now nearing the end, give everyone a chance to say their final thoughts, and reflect on the experience.

Top Reasons for ERP implementation

- ✓ To improve business performance
- ✓ To ensure compliance
- ✓ To facilitate employee management
- ✓ Better integrate systems across locations
- ✓ Replace an old ERP or legacy system
- ✓ Position the company for growth





Now, make a decision

Each company will have its own way of doing this. How you decide to seal the deal on ERP selection will depend on your established procedures and what feels right nearing the end of selection. The team has provided valuable input. You have reflected. Now you can be confident. That's a nice feeling.

And go for it

And here's the bonus: you have just given your company a huge head start on successful ERP implementation. The next steps — kickoff, install, implementation and Go Live — will be met with less resistance and a lot more anticipation. It's a job well done, and you're more than ready for the next steps. Celebrate as you see fit, and announce the good news to the whole company.

You're on your way forward.



ERP SELECTION CHECKLIST

Go through the steps, one check at a time

STEP 1

FORM YOUR SELECTION PANEL

- Choose team members
- Kickoff meeting
- Set timeframes and guidelines for search
- Assign roles and responsibilities
- Determine voting process or authority levels

STEP 2

EVALUATE NEEDS

- Examine your business processes and needs in detail
- Be ruthless in your internal evaluation (this will pay off later!)
- Be specific in identifying your needs (this will help you fend off cookie-cutter ERPs that aren't built for you)
- Write needs out in actionable sentences
- Ballpark potential ROI

STEP 3

IDENTIFY AVAILABLE SOLUTIONS

- research ERPs for your industry
- Ask for referrals from companies similar to yours
- Hold the key features of selected ERPs up to your needs
- Make a shortlist (not too short, not too long)
- Start thinking about long-term goals

STEP 4

SCHEDULE CONSULTATIONS

- Prep your questions
- Schedule consultations back-to-back (or as close as possible)
- Grill each company
- Follow up with questions by email
- Get feedback from selection panel about each company

STEP 5

SHORTLIST, CHECK REFERENCES

- Trim list of ERPs down to 2-3
- Measure options up to cost
- Contact references (ERP company will provide)
- Double-check all questions have been answered
- Ask shortlisted companies about implementation
- Start considering implementation timeline