

The ERP Software Selection Guide

Discover the secrets of successful ERP software selection

Choosing an ERP 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.

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Introduction

Choosing an ERP 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 helped many organisations choose the right ERP Software solution. We have taken the best methodologies that we have seen over the years and have come up with the following software selection methodology.

Discover the best

ERP

**software selection
methodologies**

Why implementing a new ERP software?

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.



Using outdated software affects productivity, day-to-day operations and strategic planning because it leads to:

- **Islands of information:** A legacy ERP solution may not include truly integrated workflows across different business functions. Some outdated software solutions don't allow for a consolidated view of financials, or help you manage the entire supply chain from purchasing and inventory, through to logistics. So while you have an ERP solution, your cross-team collaboration and communication is patchy at best.
- **Workarounds and lost productivity:** When your existing software is not up to the task, workarounds become second nature. People waste time on manual tasks or persevere in using tools that don't make the best use of their talent. Or worse still, they hoard valuable information in separate spreadsheets or standalone apps because working within the legacy ERP solution is too onerous.
- **Slow, static reporting:** Legacy systems usually can't give you instant access to information. What you get instead is an unreliable view of your organisation based on last month's figures, and static reports on sales, P&L, and cash flow. Proactive leaders need immediate access to information and analysis of trends that they can see on their mobile device.
- **Messy, inaccurate data:** Because legacy technologies were implemented a long time ago, the data they hold is often messy, in outdated formats, poorly integrated across the feature-set, and potentially inaccurate, which creates problems with reporting.

ASK YOURSELF THE QUESTION:

“Why are we going to market for a new ERP software solution?”

Project team, budget and timeline

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.

Internal resources needed to implement an ERP solution

A reliable and experienced ERP implementation partner, like Leverage Technologies, is there to guide you through every step of your implementation.

However, high levels of internal commitment and organisation make it easier for your partner to assist you, and the less likely your project is to veer off-track.

The factors a business should focus on to support a successful ERP implementation include:

- Well-documented processes and functional needs.
- Accurate data and data conversion requirements for the new system.
- People with the skills and availability to support each stage of the process.
- Sufficient time allowed for each stage of the implementation to be finalised.
- High-level sponsorship and accountability from C-level executives.

When we sit down with a business to begin the implementation process and they can show us clear process diagrams, we can tell they've thought about how their new ERP can be applied to deliver improvements.

We can build on those ideas based on our expert understanding of the ERP solution—it's a true partnership approach.

W9 Wholesale Distribution Dental, medical, healthcare 15 staff

ERP upgrade helps healthcare distributor drive warehouse efficiencies

As a major importer and wholesale distributor of dental and medical products, W9 distributes its extensive range of products Australia wide to customers including dental and medical distributors, government clinics health funds and universities. To streamline its inventory and operations and introduce a scalable platform to support growth W9 adopted the SAP Business One application with the help from Leverage Technologies, an SAP gold partner.

Value-driven results

- ▶ **Scalability.** W9 leveraged SAP Business One to scale the business from handling just 12 orders a day to handling hundreds of orders a day;
- ▶ **Control.** SAP Business One helped W9 streamline picking, packing, order fulfilment, procurement and supply chain logistics.
- ▶ **Confidence.** W9 can rely on a robust platform to help them grow and expand throughout Australia.

"The recent enhancements from Leverage Technologies has allowed us to reduce our processing time by over 50%."



Noah Shroot
Manager

“**Just because ERP**

is first class,

**doesn't meant it's
right for you**

Of course, it's not possible to introduce a new system that will be used and relied on by your team, without the input of your team. Your team's involvement is required to:

- Participate in workshops and brainstorming to clarify what's important to the business
- Articulate tasks and workflows for each functional area so your provider can automate them
- Reconcile and clean-up data from multiple sources to ensure it's ready for the new ERP solution
- Conduct other data collection activities like an accurate stock take or update the asset register prior to go-live, ensuring accurate data for the new ERP solution
- Identify and act as 'super users' that can be involved in training and supporting others
- Test specific functionalities by generating reports and other documents as part of user acceptance testing

As well as people who are ready and willing to engage in each of those activities, it's important to create a project management position or team that provides overarching direction within the business.

Key considerations before choosing an ERP software

Before you take the plunge or even start your research, let these two concepts sink in:

- An ERP solution is designed to work across every part of your business management processes, customer service, operations, financial management, and reporting. It's a fundamental change to your business. You need to be careful about the software you select.
- The providers and methods used to apply new systems will affect your ability to operate in the short and long-term, so it's essential to be thorough in vetting implementation partners. If you fail to implement your ERP successfully, it puts your business at risk.

The perception held by many business leaders considering the need for ERP software is that you will hand over your business and that your new ERP provider will simply upgrade you to a new and improved system when the opposite is true.

An effective ERP solution implementation is about customising a system to your needs: to both enhance your current business approaches and help you advance towards a better functioning future. Technology is the enabler—you and your business remain in the driver's seat.

Just because ERP software is first-class, doesn't mean it's right for you.

Here's a situation that occurred recently. A business contacted us to consult on their ERP solution and implementation, after becoming uncomfortable with the approach of another provider. They'd been persuaded by the other consultants, and were leaning towards a particular piece of software and all its bells and whistles, but they weren't 100 percent convinced. Wisely, they sought out a second opinion.

After taking this business through the initial stages of our consultative approach, I had to be honest—I wasn't sure they were ready to implement the functionality that had been suggested or even the specific solution they had been sold on.

It's not because the software wasn't high quality: it was. It's not because I wanted to contradict the other consultants. I'm in the business of helping people embrace ERP solutions, not turning them away.

But...I gave them that feedback because adopting an ERP that isn't right for your business and doesn't have an excellent chance of successful implementation is a recipe for disaster.

How do you determine your readiness and the right ERP system?

Even if you're a technologically savvy leader, you'll probably only implement a new ERP system once or twice in your career. Our team does this work day in, day out.

So let me share with you some aspects of what's practically involved in our consultation process.

When a Leverage Technologies consultant sits down with a new customer, we ask a lot of questions. It's not a grilling, just an in-depth conversation.

We're positive and enthused about helping you, but we're also pragmatists and we need to get a clear idea of your business needs; budget; how your project aligns to our skill set and work we've done previously; and your internal resources and readiness to implement.

Some questions will be about your overarching structure and complexity, like:

- *How do you organise teams and divisions?*
- *Do you have an overseas presence?*
- *How many offices and companies, brands, legal entities and ABNs do you have?*

Some questions will relate to how you manage finances, such as:

- *Do you do a lot of inter-inter-company trading?*
- *Do you need consolidated reporting?*
- *Do you trade or purchase in different currencies?*

Of course, many questions will be about the day-to-day operational needs of your business that must be supported by functionality within the ERP solution. Our consultants might ask 10-20 questions per business function, depending on your industry and scale.

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.



Prospective suppliers for your ERP

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 to five ERP 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).

 Markris Foods  Wholesale Distribution  Food  10 -15 staff

Food wholesaler runs fast with modern ERP solution

Queensland business Markris Wholesale Foods has a reputation to uphold: as a “purveyor of fine foods” and the kind of business that will go the extra mile for their clients. That means being fast and flexible enough to make ad-hoc deliveries, multiple deliveries in one day, or source special one-off products. Our tailored, cloud-based ERP solution enabled Markris to connect their supply chain to their financial, procurement and Customer Relationship Management systems to streamline processes and grow smart.

Value-driven results

- ▶ **Straemlined processes.** Markris Foods leveraged SAP Business One to connect every aspect of the business into a single, scalable platform.
- ▶ **Efficiency.** The business relies on SAP Business One to manage every aspect of the distribution process including purchasing, stock takes, bin locations, reporting and more.
- ▶ **Confidence.** The system enables Markris Foods to plan and actuate growth plans with confidence, knowing that the platform will scale seamlessly.

“We would definitely recommend Leverage Technologies to any other business looking to implement a new ERP system.”



Chris Cole
Manager

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

Based on our experience, we also recommend the following:

- 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.

What are the next steps?

Uprooting the legacy ERP systems your business was built on is a monumental shift. But ultimately a worthwhile one. Don't accept the risks, costs and lost opportunities that your legacy systems represent.

Either speak to your current vendor to explore upgrade options, or start the journey to a completely new ERP solution.

If you decide it's time to revisit the marketplace to find the best ERP solution, keep in mind you'll need to consider a range of factors including:

- › Outlining your business needs
- › Defining functionality and technology requirements
- › Setting a realistic budget
- › Choosing the best software vendor and product
- › Selecting a reliable implementation partner
- › Coordinating internal project management and change management

Be sure to look at the gaps in your current system with a critical eye. It can help to work with a third party that knows ERP solutions and the implementation process like the back of their hand.

Leverage Technologies is a highly-awarded ERP solution reseller and implementation partner with superior knowledge and experience of how technology can be applied to help complex, mid-market enterprises function better and grow.

Talk to Leverage Technologies for expert advice on ERP solutions:

Visit <https://www.leveragetech.com.au/>

Phone 1300 045 056



The future

awaits.

**Get in touch
today**

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TECHNOLOGIES

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