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Description automatically generated with low confidencePrecision Engineered ERP Implementation

# 10 recommended steps for a successful ERP evaluation

1. Examine the current situation and identify requirements prioritized by urgency of needs

Choosing and implementing an ERP system represents a significant investment in money and resources. It only makes sense to ensure it is necessary.

* + **Considerations:**
    - Identify the most important issues and processes that necessitate a change. Things such as inventory obsolescence, missed deliveries, expediting of raw materials and incorrect costing can have large ongoing financial impact on the organization.
    - Examine the situation across all functional areas of the organization. For example, issues or changes within procurement will likely affect scheduling, production, and accounting.
    - Quantify how issues and processes in the current state are impacting company profitability and costs. Some issues are easier to quantify than others, such as expedited freight costs from failed planning. Others will require some data mining, such as inventory carrying costs from overbuying or early buying.
    - Assess current IT infrastructure, future direction, and regulatory needs which will impact ERP deployment options. Is there already a full IT infrastructure in place with available server capacity to house the ERP application? Do future plans include moving all major IT systems to cloud deployments/ Are government regulations in effect that dictate who can access the system?
    - Involve key stakeholders early and often in the assessment.
  + **Common Mistakes:**
    - Trying to address every single potential issue at the same time.
    - Limited realization of financial business impacts from issues and processes.
    - No executive sponsorship to drive the project and prioritize.
    - Lacking involvement and buy-in of key stakeholders in assessment.

1. Establish rough cost justification based on quantitative needs analysis

Many companies may have issues and understand that an ERP system will help mitigate them, but it is often very difficult to gauge the financial impact that your problems are causing. A cost justification will help prioritize the project and enhance support for the change.

* + **Considerations:**
    - Assign cost and future financial impact to all critical issues identified.
    - Consider peer comparisons and/or industry benchmarks to help quantify.
    - Factor in soft/intangible costs related to areas such as customer experience, security, and labor.
    - Estimate ongoing opportunity cost of inaction.
    - Determine whether there is justification to move forward.
  + **Common Mistakes:**
    - Moving forward without some type of cost justification.
    - Not properly considering the financial impact of critical issues.
    - Omission of critical requirements in the analysis.
    - Failing to identify critical issues because “it’s always been that way here.”

1. Determine preliminary project budget based on perceived return on investment

The preliminary budget for moving to an ERP system should be in direct correlation with the cost of the problem the system will help mitigate and should be in line with a company’s general payback criteria for any investment.

* + **Considerations:**
    - Based on financial impact assessment, determine required payback factor and potentialROI.
    - Establish budget in line with worst case ROI and acceptable payback timeline.
  + **Common Mistakes:**
    - Incomplete or unknown financial impact assessment.
    - Lack of key stakeholder/executive agreement.

1. Secure executive sponsorship and identify project evaluation team roles and assignments

Provided there is an adequate ROI and cost justification for the project, executive sponsorship should be easy to obtain, but without it, the project will be doomed to failure. It is also important that all key stakeholders understand the reasons for moving forward and are actively involved.

* + **Considerations:**
    - Ensure project support from final decision maker(s).
    - Nominate and empower committee members to drive the project forward. Committee members should be knowledgeable of their department’s functions and in a position of authority. For example, the controller may be the right person to address accounting requirements as a member of the project committee.
    - Delegation of project team’s other role related duties to maintain priority.
    - Clear understanding of goals and objectives to promote change management.
  + **Common Mistakes:**
    - Inadequate executive support.
    - Lacking empowerment of team members.
    - Undefined roles and assignments.

1. Document key requirements, obtain staff buy-in and establish evaluation timeline

Requirements documentation and cost justification are key to obtaining the support of the key stakeholders involved in the process. In addition, establishing realistic timelines based on available resources will further ensure that support. Without the support of key people, managing change will become a challenge. It is also important to keep a clear delineation of wants and needs based on budgetary and resource constraints.

* + **Considerations:**
    - Focus on critical requirements with the biggest overall financial impact.
    - Review business processes and identify what could/should be changed.
    - Consider factors such as implementation, deployment, resources, and timeline.
  + **Common Mistakes:**
    - Too much focus on non-core or low impact criteria.
    - Incomplete requirements assessment.
    - Lacking detailed description of critical business requirements that providers will understand.
    - Low staff and/or project commitment.

1. Research viable providers based on key criteria to identify 2 to 3 potential partners

There are hundreds of potential providers of ERP solutions with many differentiations in price, functionality, and experience. To keep the evaluation manageable and timely, it is important to narrow the field while still doing the preliminary research to see which solutions may be a good fit.

* + **Considerations:**
    - Industry specific experience.
    - Viability of software, technology, provider, and implementer. How well does the software fit your business needs and are the provider and implementer knowledgeable about your industry?
    - Comparison of high-level costs and established budget.
  + **Common Mistakes:**
    - Preliminary vendor research is too limited or too broad.
    - Deciding ERP solutions are all the same, just a commodity, and selecting based on price alone.
    - Underestimating the level of effort and time involved.
    - Not providing enough information for initial budgetary estimates.

1. Collaborate with chosen finalists on discovery to ensure complete understanding of needs and processes

The more your potential partners know about your business and challenges, the easier it will be for them to present you with the right solutions. While extensive discovery may seem redundant to internal stakeholders who are the experts in their industry, setting the stage for your potential providers will ensure better information exchange and a better final solution.

* + **Considerations:**
    - Allow finalists access to executives, key stakeholders, and facilities so that key requirements are clearly understood.
    - Provide documentation on processes, policies, reports, and specifications as necessary.
    - Schedule enough time and resources to allow for a thorough discovery.
    - Document critical requirements and gain alignment with provider.
  + **Common Mistakes:**
    - Key stakeholders and executives are not involved in the process.
    - There is no alignment between solution provider and client leading to a misunderstanding of the company’s requirements and how the software would help.
    - Discovery is considered unnecessary. This forces the provider to present a generic demonstration that likely does not specifically address the company’s critical issues.

1. Review budgetary estimates and ensure proposed solutions are aligned with company key objectives

Once vendors and company are aligned regarding the proposed solution it is important to review how cost estimates compare to initial budgets to ensure that the solution is still financially feasible. It may also be a good time to discuss possibly phasing the actual ERP project depending on scope and complexity.

* + **Considerations:**
    - Review initial budgetary estimates with chosen finalists based on discovery for any changes and compare to established budget.
    - Review proposed configurations and possible future phases and compare to the company’s objectives and key requirements.
  + **Common Mistakes:**
    - Lack of alignment between solution provider and company on configuration and implementation.
    - Incomplete comparisons between chosen finalists due to configuration, functionality, or implementation differences.

1. Schedule meetings and demonstrations to ensure proposed solution will meet key criteria

A complete ERP solution will affect every functional area within an organization, so the demonstration of the software may take some time. Some processes within a functional area will be fairly standardized and can be shown simply and quickly, while others may be unique to the company and require more in-depth review. Based on proper alignment during the discovery phase of the evaluation, remain focused on the unique and key requirements to make the best use of available time. Consider breaking up the demonstration into multiple meetings to maximize audience retention and discussion.

* + **Considerations:**
    - Allow enough time for a complete demonstration and discussion.
    - Ensure key stakeholders are involved in all demonstrations relevant to them.
    - Focus on the key criteria that were uncovered during initial assessment.
  + **Common Mistakes:**
    - Too much time spent on minimally relevant functionality. Order entry, AR/AP processing and matching, are examples of functionality that should be fairly standard between systems.
    - Key stakeholders not present and end users brought into presentations not relevant to their role.
    - Not enough time given to address questions and concerns.
    - Not allowing time for follow-up demonstrations to cover areas in more detail if required.

1. Review and agree on final project cost estimates and contractual agreements

Assuming that the prior steps of the evaluation have been followed, pricing and configuration should only need to be reviewed for accuracy, but do allow time for any negotiation of terms and conditions on various agreements.

* + **Considerations:**
    - Ensure proposed solutions meet all company key criteria.
    - Ensure company resources are available for implementation or revise scope.
    - Compare solutions for equivalency and fit.
  + **Common Mistakes:**
    - The solutions provided are not equivalent and therefore not comparable.
    - Incomplete review of agreements.
    - Taking on a wide project scope with limited resources.

We hope you have found these points useful and that you’ll apply them to your ERP selection process to great success. Please let us know if you have any questions or comments, or would like to discuss the process in greater detail.

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