

10 Steps to Selecting a Manufacturing ERP Solution



A majority of manufacturing company executives agree. Selecting and implementing an enterprise resource planning (ERP) software solution is a massive and often frustrating process. Select the right solution and your company is on its way to better decisions resulting in increased revenue, lower costs, better inventory control and maximized profits.

Choose the wrong solution and productivity and profits can evaporate rapidly. This is why it's important to enter the ERP selection process correctly. Guardian Business Solutions has prepared this resource to help you learn from the hundreds of businesses we have had a chance to work with and study. The ones that had great success followed the pattern laid out below. The ones that skipped these steps – or fell for a compelling sales pitch or pricing offer – paid four to ten times the cost of the ERP in additional costs over the next few years.

Following the ten steps below will help ensure that you not only become educated about the ERP solution but also the keys to make its selection and implementation a success:

1. Start with Strategy.

Too many companies enter the buying process assuming that new ERP will solve problems ERP cannot solve. Just because the current solution you are using appears slow – or incapable of giving you good data doesn't mean that replacing it will deliver different results. Before you invest a six figure amount of money into an ERP implementation, invest in building an optimized operational and financial process.

During the process, ask tough questions such as:

- What is our growth strategy for the next 3-10 years?
- What role will M&A play in our future growth?
- How large of a sales team, operations team, finance team will we have in 3, 5 and 10 years?
- What are the data points we currently measure across all areas of the business?
- What are the data points we should measure going forward?
- What isn't working in our current processes?
- Is our existing infrastructure ready for an implementation of new technology? Or do we need to get our house in order first?

These questions and many others are ones to work through long before the ERP selection process begins. This first step can also seem like the hardest. You must, however, be able to answer these fundamental questions. Without it, you'll invest in – and build – an inefficient ERP system - that will continue to frustrate results.

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2. Start at the Top.

A properly selected, implemented and utilized ERP solution will change your business for the better. This ERP process must be viewed as a business transformation initiative, not a technology project. As an organization, everyone in the firm needs to support the project and stay involved from start to completion. This starts at the top. If ownership is not fully committed to the transformation, the implementation will fail.

3. Crystalize a Vision:

Every business needs a vision to build strategy around. The vision is typically locked up in the mind of the owner/CEO. Long before the search for the right ERP begins, that vision needs to be harvested and crystalized in a document. That document will drive strategy and direction of the search. The right ERP solution must have the critical functionality that allows business processes to work and reflect your short as well as long term vision and strategy. Aligning vision with strategy helps ensure that the ERP system you select, actually delivers the results to your customers, employees and other stakeholders. As an example, if your vision calls for multiple locations across the US or the world, that has a significant impact on which ERP solution will work. If your vision calls for the acquisition and integration of 5–10 companies over the next 10–20 years, that impacts ERP selection. If your vision calls for remote sales teams, it impacts ERP selection.

4. Build a Cross-Functional Team of Champions.

Having a single champion in the finance or operations department spearheading this process isn't enough. The CEO must have a vision for growth and operational transformation first – and then engage a team of senior leaders to participate in the execution. Select individuals from a number of departments. Logistics, marketing, finance, and sales should be involved at a minimum. Each department needs to clearly buy into the “why” behind the implementation. There should be significant upside for each of them – or they will become the weak link in the implementation process.

As you get closer to the search and selection process, you'll need one dedicated person (a team leader) who will have nothing else assigned to them during this process but the selection. This will be their full time job for the 6–12 month process.

5. Requirements Definition:

80% of what your company does is probably not very different from what others in the industry do. However, 20% of what you do as a business is probably very unique. Chances are the ERP provider has not dealt with your unique operation structure to date. It is your responsibility to clearly understand and communicate those defining differences early in the selection process. Otherwise you could end up investing in a system that doesn't do exactly what you need it to do. Or you could end up buying into a system that appears very economical at first – but ends up costing you 3–7x more over time as you customize it to fit your unique needs. If you can enter the process with a clear operational process in place that identifies exactly how your plant runs, you will end up saving a six-figure amount of money in the long term.

6. Vendor Research and Evaluation:

With the first 5 steps in place, you're ready to begin the selection process. Here are some factors to consider at this step.

- a. Will you outsource the research or perform it in-house?
- b. Which software publisher's product best suits your needs?
- c. Which ERP solution implementation partner will work best your organization?

As the requirements are defined, vendor software will be compared to those requirements and selected for a closer look. The vendor will become a very valuable business partner. Understanding their approach to project management, implementation, support, training, etc. will be vital. These people will be around a long time and the chemistry is important. It's not all about the software.

7. Demo Script:

Using the requirements definition from step 5, create a demo script that all the suppliers will follow. A demo script is nothing more than a “mock company” setup that the potential vendor will load into their demo software to show you how the software could work for you in a live environment. It won't be perfect of course, but you'll start to see what each ERP can and cannot do. This will keep the potential vendors from wandering and showing you things that are their innate strengths versus showing you the things you have identified as critical to your success.

8. Scorecard:

Create a scorecard that will take some of the emotion out of the process and allow the people on your team doing the evaluation to organize their thoughts. The scorecard will also be able to objectively compare feedback from team members – and how they ranked each vendor. This will be a very valuable tool in making the final decision. The tendency is to pick a vendor based on how charismatic the salesperson was – or how well the demo session went – not necessarily the requirements that were defined above. Include scores for the vendor's references. Invest the time to make the calls to their references. Remember, however, that they are going to give you their happiest and most successful clients to talk to. If possible, find companies that are using that software that are not happy with the solution – and find out why.

9. Select your ERP solution:

After you've gone through the steps above, you can focus on selecting the right ERP solution. Using the tools defined in this process should take some of the emotion out of it. At this point, the decision should not be about price. It should be about the solution. Remember that the initial price of an ERP system is not the price of the ERP system. Months and years later you will continue to invest in modifications, improvements, customizations and add-ons. It is mission critical to select the ERP solution that meets the objective needs of the company – and an implementation vendor whose pedigree and

expertise you trust. Ask yourself and the team, “which implementation partner do we have the highest level of confidence in?” Software is software. It can always be improved and customized. The team responsible for that improvement and customization – the implementation vendor – is the key to the right decision.

10. Negotiate the Deal:

The last step in the process is working out the pricing with the vendor you have selected. Attempting to squeeze the vendor on pricing up front could cost you in the long term. As you put pricing pressure on them, they are forced to adjust the service offering. This may or may not be in your best interest. That said, there is always room for some negotiation – and give-and-take. Have a candid conversation with the selected vendor to ensure that they are providing what they feel it will take to get you to your live date but also time to do enough follow up to assure the implementation was completed per your expectations. ERP implementation is a journey – not an event. Expect that you will have many phases in the years to come to continually improve your processes and utilization of this most amazing tool.

Although it sounds like a daunting process, it is absolutely necessary to go through each of the mission critical steps above. Guardian Business Solutions can come alongside you and your team as early as step 1 in the process to facilitate robust discussion and discovery. We offer several complimentary services including the Guardian PlantWalk and the Strategy WhiteBoard session. Both are designed to help senior leadership think through steps 1, 2 and 3 of this process without any cost or obligation.

Contact the business builders at Guardian Business Solutions if you'd like some guidance on any of the steps in the process.





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