How to evaluate ERP

WHY IT'S TIME TO FORGET OVERLY COMPLEX ERP SPECIFICATIONS AND RETURN TO A PRAGMATIC APPROACH.

Inspired by the successful practices of the most innovative service companies.

UNIT4

In business for people

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Look forward

Make your ERP project a success by going off the beaten track

Choosing an ERP as your management solution is a strategic transformation project that shouldn't be taken lightly. It will have a considerable impact on the smooth operation and growth of your business. The most important thing about choosing your new ERP solution? Forgetting old habits — and looking forward.

For many years, companies have instinctively asked for longer and longer specifications. This natural impulse exists because we want to protect ourselves from risk — and high-profile failures being reported in the media have likely been an influence here. But focusing too much on risk mitigation can mean losing sight of the real objectives.

And in the context of digital transformation — where CFOs walk a tightrope to make budget forecasts more reliable — it's vital that ERP systems do what they're supposed to: make management tasks easier rather than harder.

In this climate, your specification should serve two functions: it should enable you to choose the right ERP for the job, and it should form the first step in a project plan. One that focuses on overcoming problems and achieving objectives above all else.

We've written this guide to help you produce an innovative and imaginative ERP specification, while also remaining pragmatic. This will help you establish the strategic parameters needed to make the project a success. It'll help you figure out how to ask your colleagues and your vendors the right questions. And help you decide what constitutes a good fit for your business, and how you'll determine key measures like total cost of ownership (TCO) and return on investment (ROI).

Start with the basics

**The two most important words:
"Why?" "What?"**

Why are we doing this project? What are the true
objectives? What do we really want to change?
What will happen if there is no project?

The 1st step of writing an ERP specification is not to gather detailed functional requirements by knocking on every door on every floor of the company. Instead, you must ask the basic strategic questions. The purpose of your specification is to formalize the answers.

This will help you explain how the system must support the company's development. For instance, if your strategy demands international external growth, the key features you're looking for will not be the same as if you were to favor organic growth with a diversification of business models.

A professional services company focusing on organic growth might be experiencing challenges like these:

- Obsolete systems disrupting workflow.
- Stalling or lackluster business growth.
- Cost overrun due to inefficiencies.

And objectives like these:

- Exceed an average resource invoicing rate of 77%
- Achieve an operating profit (EBITDA) above 20%
- Reduce non-chargeable resource costs to below 15%

Precisely defining your goals allows you to be more flexible when assessing ERP platforms, and more easily identify risks that could stop you achieving them.

Next question: "Who?"

Any major transformation project should be managed by an interdisciplinary project team with a precise amount of authority and time.

Building the project team is your next step — and should be considered a key success factor. The implementation of your ERP will require a high level of involvement from this team for several months. You should, therefore, assemble it in accordance with three best practices:

- Identify employees who are fully versed in your business procedures and will be able to understand their implications for other departments.

- Give priority to operational staff who have a real ability to make decisions during project meetings.
- Relieve more experienced employees of certain duties during the project rather than just choosing those who're available.

As soon as this team is set up, its members' actions will be decisive. They'll need the support of a sponsor from general management, as well as from the whole company. And you'll need to keep all employees constantly updated so that they understand the project's importance and support the team wholeheartedly — especially when it faces the first resistance to change.

The technical foundations for the CIO

The specification must integrate with the CIO's contribution to set out the overall structure of the system and the framework in which it must be integrated. Today many ERP requests include moving from an on-premise solutions to the cloud with consideration for the technical details around data interfaces with other applications.

The CIO must anticipate scenarios for changes in technical requirements, while considering the ERP's ability to evolve with the technical landscape, by offering access to and the ability to interact with apps chosen from the cloud by business teams, often referred to as microservices.

The CIO's data integration strategy can no longer be satisfied with technical prerequisites of export formats or vague answers from vendors. It must be thought through and planned to avoid potential complications and additional unexpected costs.

Check functional suitability

How can you be sure you're making the right choice?

Nowadays, the process of selecting and searching for the necessary features requires more pragmatism and agility.

The main purpose of the specification is to ensure you choose the best solution, the one with "perfect functional suitability".

Today, ERPs are specialized by business sector. Prioritizing business expertise will be essential both when choosing a solution and when choosing a software partner that matches your requirements. This will ensure that the solution will progress in the right direction to support your business in the future.

Begin by listing the features you want but prioritize your choices. Taking a "weighted average" of needs often results in a poor choice that doesn't satisfy the specific needs or priorities of anyone in the business.

It is essential to prioritize and then group together the required features according to the main objectives outlined earlier. In this way you'll have a concrete idea of how well each ERP solution is suited to the real challenges of the project, rather than simply choosing one with more features, or a more appealing user interface.

Deciding what matters

When thinking about your requirements, all experts agree on one thing: it's much more important to consider your key processes than detailed feature lists.

Here are a few examples of the requirements to consider when looking at the company's main objectives:

- Strategic objective: To achieve an operating profit (EBITDA) above 20%

- Requirements: costing of a pre-sales project based on data from similar (completed) projects, allocation of resources by skills grids before signing, estimation of margin generated, automatic data transfer to establish the project once signed, control of the development of projected vs achieved margin.

- Strategic objective: To exceed an average resource invoicing rate of 77%

- Requirements: modification of an existing project schedule with a deterioration in the rate of resource planning, support for decision-making to reallocate resources, identification of the impact of subcontracting on projected margin, anticipation of the shift in the planned invoicing deadlines and transmission to the accounting department.

Driving change among users

Above all, an ERP project must allow us to work better together: the collaborative dimension and the integration of complementary teams around key processes, is fundamental. Implementing a new ERP solution is the ideal opportunity to devise new working methods and blend teams to work in a customer-centric way.

You must, therefore, account for change management and user training plans as soon as the specifications are drawn up. The team created in the 1st step must clearly identify the "before and after" for key processes to train users and protect against any loss of productivity.

In this regard, it will be hugely advantageous to choose a solution whose ergonomics and user experience can integrate with other office automation tools that your people use daily.

Calculate precise costs

**Total cost of ownership (TCO):
more important than the price tag**

Evaluating the financial aspects related to
implementing ERP is a fundamental question.
But is often limited to a vision focused on costs.
Specifically, the initial costs of the project. The
right approach is to have a vision that brings
together both costs and expected gains, both
direct and indirect, in a long-term approach.

A good evaluation of the cost of implementing your ERP is essential. On the other hand, we advise you look beyond the initial costs and consider total cost of ownership over the projected life cycle of the system:

- In the short term: acquisition of licenses and hardware infrastructure if you have chosen an on-premise solution, deployment expenses, immobilization of project team resources and recruitment of interim staff to replace them.
- In the medium term: expenses related to functional developments or the addition of supplementary modules, the purchase of new licenses, etc.
- In the long term: user rights per user and per module (if you're using SaaS), maintenance and support from the vendor, internal and external costs related to version changes, and major migrations, etc.

And don't forget to factor any indirect costs into financial projections. Let's take the example of data recovery: if you overlook the cleaning or even "sanitization" phase, you could run the risk of encountering malfunctions due to non-compliance or delays in operational processes at start-up, which could generate additional indirect costs.

Calculate the expected return on investment and disclose it

The calculation of expected ROI must be part of your specification from the outset so it can be shared with the project team and service providers. Everyone must be aware that the objectives are also expressed through specific ratios.

Defining the ROI reinforces the ability to manage the ERP project by focusing on the challenges and not on the features or deadlines. Don't forget that a successful project is also one that starts off on the right foot. Plan realistic deadlines and make each stakeholder accountable.

Unfortunately, many companies still believe that the return on investment is too complicated to calculate and ultimately conceal it. We therefore advise you to work

with your CFO, who is more used to forward planning, to ensure that your financial projections are both as complete and relevant to your business as possible.

Again, the ones who have spent the necessary time properly defining the strategic objectives will benefit.

As an example: a professional service company whose strategy favors organic growth, with the objective of keeping the cost of non-chargeable time below 15%. This company can compare its current operation with that expected after the transition by estimating the additional margin generated by productivity gains.

> The ERP must create value first and foremost.

Invest for tomorrow

In our context of digital transformation, where new entrants quickly overturn established models, it's essential to base the functioning of your company on a reliable, sustainable ERP if you want to prepare for tomorrow's success!

The specification must be fully integrated into the project methodology to avoid breaks in the process between selection and actual launch. But be careful not to confuse it with the detailed specifications document that will be created at the next stage of implementation.

The specification should help you create a project plan focused on the real issues and objectives. Hence the importance of being innovative in the selection process, including project teams from the outset, and asking to see demonstrations of mock processes based on concrete case studies. We also advise you to invest more of your team's time with a shortlist of 2 or 3 ERP software providers to organize functional workshops prior to the demonstrations, so prototypes are relevant.

This will save you time during workshops to evaluate the necessary settings and train the project team, using model demonstrations as a basis for discussion.

Anticipation is always a key factor determining success.

Look ahead internally as well as with your ERP partner

The specification and the implementation of ERP must "project you into the future." And this obviously requires you to ensure the sustainability of the chosen solution as well as that of the partner to guarantee their ability to support you over time.

Beyond the obvious criteria related to seniority, existing references, or financial robustness, it will be important to pay attention to the implementation team suggested by the vendor/partner – not just the experience of consultants in your business sector, but also their ability to listen and work with you. Let's not forget that the human factor is a key element in the success of your project.

Finally, "investing for tomorrow" requires you to study the software vendor's strategic and technological vision to assure you of its capacity for innovation around the chosen solution. ERP will support your company's business processes in an era when the working environment and tools will be revolutionized faster than you might think with the advent of artificial intelligence and the multiplication of connected devices. **Choose an ERP partner who can work with you to reinvent your workspace.**

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