EVALUATION GUIDE:

Best practices for choosing an ERP system

ERP selection can be overwhelming, with so many options to consider around features, functionality, pricing, and hosting. To ensure the best outcome, consider these basic tenets during an ERP evaluation:

DUE DILIGENCE

All ERP vendors are not created equal. Some cater specifically to the needs of midsized companies, and some are more experienced in certain industries. Ideally, you want a provider that checks both boxes. For example, distributors should seek an ERP platform that supports flexible inventory management, including the ability to prevent stockouts or surplus, identify under- and over-forecasting items, and orchestrate centralized warehouse consolidation. Manufacturers should seek an ERP platform that provides visibility into the entire production process, including the ability to track costs in real time, identify and remove production bottlenecks, optimize inventory to reduce excess and eliminate stockouts, and drive customer satisfaction through accurate status updates.

Eric Kimberling, CEO and founder of Third Stage Consulting Group, recommends that you examine each vendor's product roadmap and how much they're spending on R&D. These factors are particularly important for vendors offering cloud solutions that aren't fully optimized for verticals such as manufacturing or distribution.

KPIs

Identify the key performance indicators (KPIs) for your business and then map those goals to the capabilities of the software you're evaluating. KPIs, of course, will be specific to every company. If inventory optimization is a key objective, steer toward an ERP platform with robust inventory management capabilities; if boosting production quality or reducing materials cost is a goal, make sure the platform has integrated tools for centralizing production processes; if you've recently acquired a business, look for functionality to help consolidate financials.

"If you've identified the big friction points in your existing operations, your KPIs should dovetail with that," says Laurie McCabe, cofounder and partner at SMB Group, a market research and analyst firm focused on technology adoption by small and midsized companies. "For instance, if it takes people some ungodly amount of time to get things done, start by looking at how a new solution can help you to get these jobs done more efficiently."

Another way to establish KPIs: "Think about what's best for your customers and what's best for your employees—

those two usually translate to what's best for the business," says Graf. "That trickles down to the systems you require to accomplish that."

Aligning on business priorities can be a tough conversation to have, but it's critical to defining the right technology path. "Those strategic priorities around what's important to the business are important in determining how you serve your customers or build your products," says Kimberling. "If you get alignment there first, then the requirements discussions around ERP tend to fall into place easier."

OPEN PLATFORM

Every company is different, so a one-size-fits-all ERP platform can be more trouble than it's worth. Look for a solution that offers flexibility for customization and supports an open architecture. An open environment enables seamless integration with other core systems like CRM, inventory management and optimization, production planning, and productivity applications like Microsoft Office.

In addition, the platform should be able to tap into a third-party developer community offering complementary tools that extend core ERP functionality. In that way, companies can create a single source of data that can be leveraged across departments and business processes.

BUY-IN

The technology piece of the ERP puzzle is far easier to address than the organizational challenges that can arise when you bring on a new mission-critical system. ERP is all about redefining and optimizing core processes. To succeed, you want a vendor that will work with all key stakeholders—the controller/CFO, production manager, heads of operations, purchasing, order entry, and sales—to identify their pain points, understand their needs, and map those against your KPIs. Involving them in the process early on will increase the chances of buy-in across the business.

"Success is about truly listening to what they want, understanding their current processes, and then sharing how a new platform can improve processes and make things flow better," says Joe Jenders, Founder and President of Vrakas/Blum Computer Consulting. "When you show them that you have a vision, that's what builds consensus."

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