

# Selecting the Right ERP System – A Four Step Process

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Selecting the right business management solution is one of the most important business decisions you can make. Making the right decision can propel your company forward while the wrong decision may potentially be catastrophic. This article will delineate key steps in the ERP selection process.

## 1. Define what you need.

Notice I used the word “need” and not the word “want.” I need a car that gets me from point A to point B; I want a car with a nice sound system. Choosing an ERP solution is about needs, not wants. Wants are only important at the very end of the process if you have uncovered several potential products that meet your needs.

**The easiest way to define your needs is to create ERP narratives.** A narrative reads like a story: “When a client calls we do this, then we do that, then we do this if A is true or we do this if B is true.” This approach is easier and infinitely more valuable than merely creating a list of features. The value of a narrative lies in its ability to convey the underlying process and provide context to the necessary features – something a checklist does not do. Furthermore, the solution that best suits your workflow may not be the solution with the most features so a feature-focused purchasing decision will very likely yield the wrong result. Tell a story; dump the feature checklist.

## 2. Estimate the cost of not changing your current business management systems.

When estimating the potential value of an ERP implementation, people tend to focus on efficiency (e.g. If we can reduce each transaction’s time by 5 minutes, we will save \$X). Although this is important, efficiency is only one potential source of cost savings. Also consider the cost of mistakes that can be eliminated. **Human errors may cost your company far more than daily inefficiencies.** Additionally, consider the higher value activities that will replace the lower value activities. Having a receivables clerk follow-up on past due invoices rather than doing data entry can make a big difference in cash flow, for example, and may entirely eliminate the need for a new hire in the future.

Identify your chief bottlenecks by comparing your current narrative with your ideal narrative. Estimate the annual cost of each bottleneck by reconciling the difference if it no longer existed. Also estimate, if possible, the value-added of the activities that will take the place of the time currently being wasted. If you are not simultaneously astonished and appalled by your calculation results, congratulations – you do not need a new ERP solution. It is far more likely, however, that you now have a stronger case for better business management software than you initially thought.

### 3. Become familiar with the ERP market.

Read from unbiased sources about the ERP industry and don't worry about any particular product; that will occur later in your ERP search. Focus.com is my favorite website for this type of information. For every success story there are at least two horror stories. **What you should take home from this exercise is that companies that don't do their due diligence pay a hefty price.**

#### Topics to research:

- benefits of ERP software
- why some projects succeed and others fail
- technical considerations (e.g. onsite vs. hosted)
- vendor costs: training, data migration, customization, and ongoing support
- other costs: hardware requirements, software licensing models, and hidden costs

*Develop non-product specific questions on of these topics to ask vendors as you evaluate each option.*

### 4. Search for the right ERP solution.

ERP matchmaking services such as FindAccountingSoftware.com and Capterra.com will ask you questions concerning your needs, budget, timeline, and match you with the number of vendors of your choosing. Although these services are neither comprehensive nor unbiased and tend to be feature focused rather than process focused, they provide an excellent starting point for your ERP software search. With each demo, you will find yourself gravitating to different products for different reasons. Identify why this is the case and you will have discovered important priorities – which will help you narrow your search further. Remember that matchmaking services only provide a starting point in the search process, so after a few demos be sure to expand your search to include word of mouth, web searches, and software directories specific to your IT requirements or industry.

When you find an ERP solution that interests you, make sure it meets the requirements of your specific narratives. Ask the vendor to provide a demo that conforms to your ideal narrative. If the vendor cannot demonstrate the same workflow, ask the vendor to demonstrate how the software would accomplish the same end goals and/or describe any customization that would be required to meet your goals. Do not assume that your way is the best way or the only way – keep an open mind – but do not ignore your narratives either. Companies that ignore or modify their workflows will often belatedly discover – usually at a high cost in both time and money – that their chosen ERP solution is unable to deliver the anticipated benefits because one workaround has been replaced with another workaround. **You are not working for your ERP software; your ERP software needs to work for you.**

Choosing your ERP software and vendor takes a lot of time and hard work, but making the right decision can reap extraordinary rewards and benefits for your company in both the immediate and distant future. The four step process I discussed above will help provide a path towards your successful ERP solution and its benefits.



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