



**WHAT'S DRIVING YOUR ERP PROJECT?  
A STRATEGIC APPROACH TO SETTING  
ERP SELECTION DECISION DRIVERS**

When a project team launches an ERP selection project, the primary focus is typically placed on the ERP system’s features and functions. Yet the organization can greatly improve the chance that the project meets the desired future state when it focuses on business process transformation. This paper makes the case that an ERP evaluation project will deliver an improved future state, and thereby ROI if it is built on business process improvement methodologies and is driven by more than technology or system features. Instead, the most successful projects take the time to develop ERP selection decision drivers that match critical “future state” requirements to the system features offered by the technology solution.

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The decision to upgrade or implement a new ERP system is likely one of the most complex and resource-intensive initiatives a company will face.

Most project teams from mid-market manufacturing and distribution organizations are challenged by an ERP selection project. This is because an ERP project cuts across each area of the business, impacting functional areas from finance, accounting and supply chain, to shop floor, production, inventory, quality management, shipping and more. Manufacturers and distributors have already gone through lean initiatives, cutting away excess, and thereby are operating with a lean staff.

While it's tempting to consider these initiatives as pure "technology or IT projects," that perspective is not effective and often results in an implementation that fails to meet expectations. IT may lead the project and certainly has a major role, but ERP projects touch almost every area of the business. The new system will naturally bring some change to how business is done, so it's important that business process owners are heavily involved.

Thus, when a project team is considering an ERP project, it's imperative that the selection process be based on a solid foundation of industry expertise, vendor research and an intimate knowledge of the business, all aligned with the goal of improved business performance.

When the focus is business performance, and not solely technology, the project team has a better chance of conducting an effective technology evaluation that is designed to meet future state needs.

“ The most successful ERP selection projects are built on a foundation of business process transformation.

## BUSINESS PROCESS IMPROVEMENT: THE PLACE TO START

Before any discussion of ERP vendors or system features, it's a best practice to put into action multi-dimensional business process improvement (BPI) methodologies. Ultra's proven BPI methodology includes the following phases:

### **Current State**

For true business process transformation, Ultra guides project teams to start with a current state analysis that involves in-depth discovery activities with current business processes in all functional areas. This entails a comprehensive review of current "as is" processes, collecting all the business process improvement opportunities or potential options for "pain point" cutting across each functional area of the enterprise.

### **Education**

Taking the time for a thorough education of all those involved in the project is critical for the project team to be well-versed in ERP concepts and industry best practices.

### **Future State**

The next step is to conduct thorough future state mapping to define ERP requirements and identify which criteria a new enterprise software should address. The future state is a development of the "to be" state, with standardized processes across all functional areas that meet the opportunities or "pain points" revealed in the current state analysis.

### **Moving to Evaluation, Selection**

After the future state analysis with its building out of the specific list of requirements, the focus turns to evaluation of the technology products from the enterprise software vendors that best serve the industry and align with business requirements.



In the typical enterprise technology project, the evaluation phase is deceptively complex – involving a comprehensive review of the findings from current state and future state analysis.

Here it is appropriate to use those findings to set ERP selection decision drivers to match critical future state requirements against the system features offered by the technology solution. This approach helps manage the complexity of the effort.

## DECISION DRIVERS: ALIGNING SOFTWARE SELECTION WITH THE NEEDS OF THE BUSINESS

At its most fundamental, establishing strategic decision drivers during a selection project involves matching the key future state requirements a business must achieve to drive business process transformation against the system features a technology solution offers.

This set of decision drivers will vary for every organization dependent on what is the best match for the specific functional areas of the business.

As an example, in the food and beverage sector, federal mandates require processors to track allergens, maintain lot traceability and document food safety reporting. Thus, a typical set of evaluation decision drivers for the food and beverage organization will match these requirements to system features, resulting in a set of key factors that help the processor determine the best vendor partner.

In another example, a furniture manufacturer's desired future state involves selling direct to consumers via an E-commerce platform. This manufacturer set selection decision drivers to achieve its required functionality to help it scale in the future.

### KEY CATEGORIES OF DECISION DRIVERS

In general, manufacturers and distributors should take into consideration the following areas when setting software selection decision drivers:

#### **Features and Functionality**

Does the software meet the future state industry and process needs of the business? Will users find the software intuitive and easy-to-use? Does the software have advanced industry functionality to support your dynamic business needs?

“ Setting selection decision drivers gives the team the confidence to objectively evaluate software options and navigate the competitive vendor landscape.

As an example, a tier two automotive supplier was challenged by its OEM customers to deliver accurate capacity planning and scheduling metrics. A current state analysis uncovered significant gaps in this area. So, for this supplier, the evaluation decision driver included requirements in gaining functional capacity from a technology solution for robust and advanced capacity planning and scheduling features specific to the automotive industry.

### **Vendor Synergy**

Does the vendor understand the specifics of the business? For instance, if the company is a chemical processor, does the technology platform offer best practices in that specific industry with key features and system functions? Will the vendor stay up-to-date with the latest and greatest trends in the industry? Does the vendor have the necessary experience in the organization's industry?

Again, as an example, a food and beverage manufacturer must have confidence the ERP vendor will keep system features updated to handle ever-changing food safety mandates for traceability, shelf life management and allergen labeling.

### **Solution Agility and Viability**

Is the vendor invested in this product solution? Will the software be a part of its service offering for the long-term? Is the product or company a target for acquisition or divestiture? Will the software capabilities be able to stay ahead of and cater to your future needs?

It's not uncommon for a technology selection project to include decision drivers assessing vendor investments in research and development, helping the project team short-list those vendors who can demonstrate a commitment to continued investments in the solution's long-term viability.

It is important to understand the agility of the vendor's technology platform and architecture and measure it against the business strategy.

### **Technology Alignment**

Does the platform fit within the team's technology roadmap? Is the vendor following industry standards for current and future integrations? Are the right competencies available for this platform? What is the company's plan for long-term support and administration services? Will it be a hosted, cloud-based, or on-premise solution?

Some project teams will establish a decision driver favoring a mature technology product over a new, recently launched vendor who is marketing an up and coming ERP solution. When technology-related decision drivers are in alignment with the business, selection will focus on the required technology stack that best serves the business – for instance, a robust, integrated solution that offers PLM, CRM and other functionality.

## Total Cost of Ownership

Total cost of ownership is clearly a significant area when assessing decision drivers. For many teams, it is critical that the vendor offer input as to the required investment for the long term. The team needs a complete understanding of what will happen during contract negotiations and the resulting agreement, including information about:

- Software licensing costs
- Enterprise software implementation services
- Annual maintenance
- Subscriptions
- Upgrade costs, including services/support and software integrations
- Ongoing support and administration services the vendor is willing to provide

## Implementation Considerations

The final category of decision drivers revolves around the implementation process. Does the vendor's implementation methodology align with and support the manufacturing or distribution organization? Is the project plan comprehensive with adequate detail? How are risks and issues managed? Does the vendor have a track record of providing on-time and on-budget projects? Which factors of success or failure have they experienced?

As with previous categories of decision drivers, those drivers based on implementation are designed to result in a short list of vendors who will deliver on implementation plans that fit the nature of the business.

## SETTING STRATEGIC DECISION DRIVERS VS. THE TRADITIONAL RFP PROCESS

A common question is to ask how setting strategic decision drivers differs from the traditional Request for Proposal or RFP process.

A speedier and more effective selection process follows when there is an understanding of how the software performs necessary activities that meet well-analyzed future state requirements – a critical understanding not addressed by a traditional RFP.

To illustrate the difference between an RFP and the value of setting strategic decision drivers, in a recent example a manufacturer sought automatic generation of on-time shipping reports. Most vendors will indicate in an RFP that their systems generate shipping reports. However, the manufacturer's key decision driver required report integration with a standalone warehouse management solution. By setting this decision driver, the project team could then analyze any required customizations or integrations needed to meet this specific requirement. The team was better able to evaluate the software against future state business process models – enabling the team to make the best decision to support long-term needs.

Decision drivers can also help vendors develop vendor scripts during their qualification presentations. The decision drivers become qualifiers which effectively move vendors into the short list– not a typical outcome of a traditional RFP.

## BETTER BUSINESS OUTCOMES

When executed well, aligning decision drivers with the needs of the business improves the effectiveness and timing of an ERP project. By matching functional requirements to system features, for example, a mandated requirement for shelf-life management in the case of a food and beverage manufacturer, the drivers act as criteria to narrow the vendor playing field down to an effective short list.

This process should provide enough data and shared understanding for both the manufacturer and the vendor to create a relevant and effective technology presentation that focuses on precisely what the manufacturer is searching for in a new ERP system.

The approach yields a dramatic payback for the manufacturing or distribution company.

We often encounter examples where working through selection decision drivers shortened the ERP project duration, since the information helps teams quickly find those vendors that best address business best practices for their industry.

With this approach, the vendor has the needed insight to showcase the strength of its solutions as best serves the ERP project team. And, most importantly, the manufacturer has the required detail to understand which systems deserve review, and to clearly see how each solution will address its needs.

“ This approach gives the manufacturer the required detail to understand which systems deserve review, and to clearly see how each solution will improve the business.

## ABOUT ULTRA CONSULTANTS

Ultra Consultants has a deep passion for helping our clients realize technology-driven business transformations that deliver measurable and impactful business and technology improvements. Our focus is on manufacturing and distribution companies. Our knowledge of industry best practices and enterprise software solutions enables our clients to realize their transformation goals:

- Dramatic improvements to existing business processes structured upon industry best practices and differentiating business models.
- Accelerated process for selecting and successfully implementing the best enterprise and related solutions that align to the needs and future goals of our clients.
- Negotiated software purchase agreements and implementation services that deliver the best Total Cost of Ownership for enterprise and associated technologies.
- Successful realization of ROI goals and aspirations of our clients through Business Analytics, Process Excellence, Lean, Six Sigma, and other proven methodologies.

Driving these four strategic activities is a highly professional and competent Ultra team to facilitate the complexities of risk management and change throughout our clients' organizations.

Visit [ultraconsultants.com](https://ultraconsultants.com) for further information.