

Key Criteria for ERP Software Selection

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Introduction

The world of enterprise resource planning (ERP) software is vast and complex. If you're a prospective buyer, you're probably looking for some guidelines and tips before embarking on an ERP selection project.

At Software Advice, we regularly speak to ERP system buyers. These interactions shed light on their needs as well as the pain points of their current methods.

Our [research](#) finds these buyers struggle with:

- **Managing data across disparate systems (59 percent)**
- **A customer relationship management system that is inadequate or difficult to integrate (47 percent)**
- **Keeping their technology up to date as the company grows (27 percent)**

If you're like the buyers we speak with, it might be time for your company to invest in a new ERP system. In this guide, we'll cover everything from the current state of the ERP market to how to decide which ERP system is right for your business.

1. Understand the Market for ERP Software

According to Gartner,¹ five vendors had more than half (53 percent) of the entire market share for ERP software in 2014. They're vendors you're likely familiar with: SAP, Oracle, Sage, Infor and Microsoft.

Historically, these vendors tended to exclusively target large enterprises with their ERP software. However, with the growing popularity of cloud-based software and the rising demand for more powerful systems for business users, some of these vendors have begun targeting the small to midsize business (SMB) space with more affordably priced solutions.

At the same time, a growing number of smaller vendors have popped up, targeting a wide range of industry niches within the SMB space.

The good news: you have more choices than ever when it comes to selecting a new ERP system.

The bad news: the abundance of choices can make the decision seem daunting. But fear not—we'll walk you through how the ERP selection process should work.

2. Assess Your Business Needs and Form a Committee

The first step, the saying goes, is admitting you have a problem: Your business is relying on some combination of outdated software, disparate systems and manual processes to get things done. It's time to make the plunge with a new ERP system to rein in your business's inefficiencies.

Assuming you're a key decision-maker in the organization, the next step is to form an exploratory committee comprised of department heads, IT staff and other mission-critical employees. At the outset, it is critical to ensure that these people understand why the company is selecting a new system and how it will impact them and their departments.

3. Outline Your Key Requirements

Once your committee is formed, its first task is simple: Have everyone write up their own “wish list” of problems they want the software to solve in their departments, as well as any particular capabilities they want the new system to have. Some examples might include:

- **Mobile accessibility**
- **Multi-currency compatibility**
- **Integrations with major shipping providers**
- **Deep supply chain functionality covering warehousing and distribution**

In addition, different departments might have more specific requirements:

Sales and marketing might want a more robust, comprehensive customer relationship management (CRM) system that has greater analytics capabilities or streamlines processes in their sales funnel.

The IT department most likely wants a stable, user-friendly system that comes with great support from the vendor.

Manufacturing and supply chain teams might want greater visibility and intelligence into their raw material sourcing, as well as better quality control on the shop floor.

“ERP can help you plan your shop scheduling, ... materials requirements planning, purchasing and other business-critical tasks so that your workforce can focus on more value-add jobs, rather than the nuts and bolts of keeping data up to date,” says Daniel Griffin, director of product management at Exact Macola, an ERP vendor. “This increased efficiency also limits downtime and can optimize your operations, so you are running at full capacity and growing your business without having to add head count.”

Based on business needs, you should identify which functional and departmental areas you want the new ERP system to cover. Your organization could very well have appropriate systems in place in particular departments—for example, the sales and marketing teams might be content with their CRM system and hesitant to replace it. In that case, you should consider how difficult it will be to integrate the existing CRM with the new ERP system.

As accounting is the core application of any ERP system, it will probably be the most important factor in your selection process. Thankfully, most accounting packages in ERP systems are relatively standardized to offer everything you need for accounts payable, accounts receivable and general ledger.

However, if you have industry-specific needs, you should identify platforms that are best suited for your niche—for example, a financial services firm will likely need much more advanced accounting functionality for managing its various financial instruments.

Beyond accounting modules, most ERP systems will have applications for:

Manufacturing



This will typically include modules for materials requirements planning, quality control and process automation. Larger manufacturing operations that produce a variety of different products will need greater functionality to handle the different processes they manage.

Supply chain management



Generally includes modules for transportation management, warehouse management and demand planning and forecasting. Larger businesses will require more complex supply chain management applications, especially if they ship products overseas and work with many suppliers, distributors and other vendors.

Human resources



Typically includes modules for applicant tracking and payroll and benefits administration.

Enterprise asset management



Allows users to track the organization's internal physical and financial assets.

Customer relationship management



Allows users to track relationships with customers and provide insights about them to drive more impactful business decisions.

Depending on your industry and your type of company, you might not need an ERP system that covers all of those bases. A financial services or a software development firm, for example, will have no use for manufacturing or supply chain management applications.

Once you have identified the functional areas you want your ERP system to cover, compile the exploratory committee's wish list and identify the must-have features or problems that need to be solved in each area. At this point, you should have a decent idea of what you need out of a new system and can begin researching which vendors meet your requirements.

4. Identify a Short List of Vendors

Several members of the exploratory committee should be tasked with compiling a list of vendors that could be suitable. Fair warning: There may be a lot of them, especially for small to midsize general manufacturing firms that have complex requirements due to their manufacturing processes.

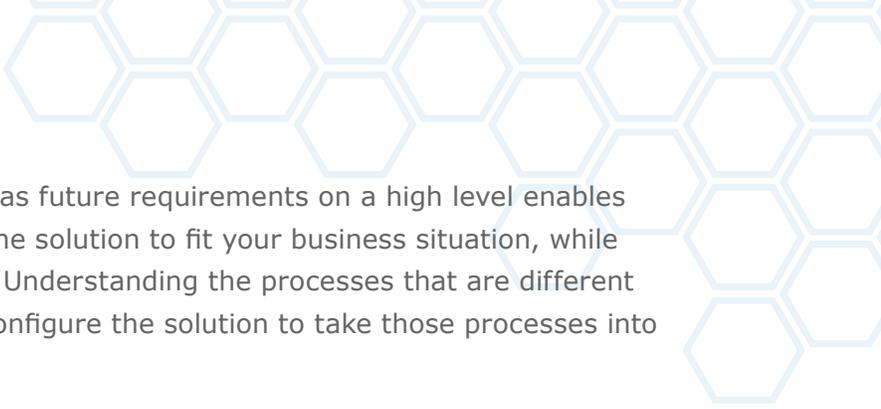
"Your first step is to choose an experienced ERP vendor: one with a positive reputation for successful implementations; one that has been down the path before. They need to have a strong understanding of where your company is in its life cycle."



— **Craig Abramson**

Marketing Director at Third Wave Business Systems

A consulting firm that assists with Microsoft and SAP ERP implementations



“Understanding immediate needs as well as future requirements on a high level enables the [implementation] team to configure the solution to fit your business situation, while keeping the initial investment affordable. Understanding the processes that are different to your business allows your partner to configure the solution to take those processes into consideration,” he adds.

When compiling a list of vendors that could be suitable, keep the following factors in mind:

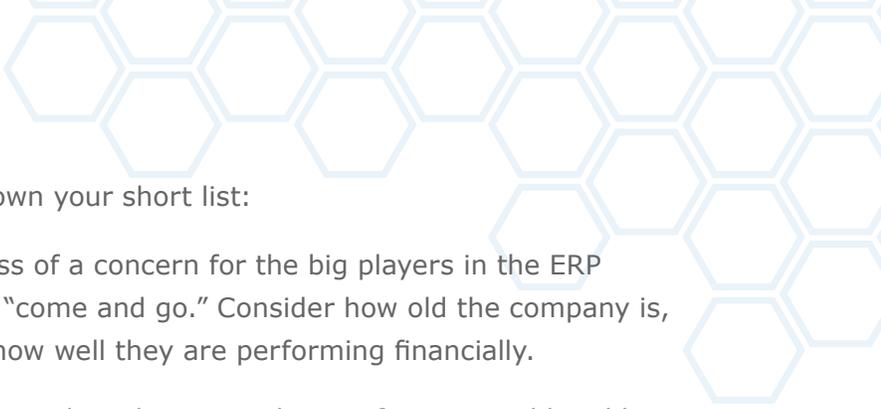
- **Your niche.** Consider how well the vendor targets your niche. Check to see if they name any of their clients, and what industries they’re in, on their website. For example, process manufacturers should check out systems such as [SYSPRO](#) or [Epicor](#), while a financial services firm might be better suited by a platform such as [Intacct](#).

- **Your budget.** ERP system pricing can vary widely from vendor to vendor. Though ERP vendors tend to be cagey about their pricing, you can usually [find ballpark figures](#).

However, “it’s important to recognize that price should not be the final deciding factor when investing in an ERP system. You want to go with a solution that will be the best fit for your organization as a whole and enable you to achieve a return on your investment [ROI],” says Abramson.

- **Your deployment preferences.** Many vendors will offer both cloud-based and on-premise solutions—meaning you’ll need to determine whether you will be hosting the software on your own local servers, or on the vendor’s. Some smaller vendors might only offer one or the other.
- **Your must-haves.** If there are any must-have requirements, eliminate any vendor that cannot provide them, or cannot easily customize the system to meet your needs. For example, you might need strong electronic data interchange (EDI) capabilities if you operate many manufacturing plants and warehouses.

At this point, you could have a list of over 10 vendors—but you should whittle it down to three to five. Assuming they will be able to meet your requirements, it’s a good idea to include a diverse mix of vendors in your short list. You’ll likely want to include a big player or two, such as SAP or Microsoft, in addition to some of the smaller, niche vendors that directly target your industry and business size.



Consider the following when narrowing down your short list:

- **Vendor viability.** While this is less of a concern for the big players in the ERP space, smaller niche vendors can “come and go.” Consider how old the company is, how many clients they have and how well they are performing financially.

In general, you want to stick with vendors that are at least a few years old and have a growing client base. The worst-case scenario would be implementing a new ERP system, only for the vendor to quickly become defunct. For more information on how to judge vendor viability, [check out our guide here](#).

- **Functional strengths.** No ERP system is totally perfect—most experts agree that each platform has its strengths and weaknesses. Consider which weaknesses you can live with and which ones you can’t. For example, some ERP vendors don’t offer mobile-compatible applications; this might not be an issue for some, but it could be a deal-breaker for organizations with employees constantly on the go.
- **User-friendliness.** Have your exploratory committee watch tutorial videos and do general research to get an impression of how easy the systems are to use. You can find [demos for many popular ERP vendors](#) on our own ERP page.
- **Technical requirements.** When it comes to servers, data storage, system architecture, customizations and so on, it can be difficult to determine what exactly you need and what the vendors are able to provide—especially if you don’t have an IT background. Hand these details off to your IT team, and let them vet the vendors based on their deep understanding of your company’s technical requirements.

Need help coming up with a short list of ERP vendors? Call up our ERP software advisors for a FREE phone consultation.

In 15 minutes we can provide you with a shortlist of suitable vendors that meet your requirements.

Get Custom Quote

5. Submit RFPs to Vendors

Now that you have a short list, it's time for the vendors to fight it out with each other to win the contract. You should outline your requirements and your must-have features in the request for proposal (RFP) that your team sends to the vendors. From there, begin scheduling demos and on-site meetings with vendors, if necessary.

You might wish to inform vendors about the other vendors on your short list. Not only will that help the vendor explain what sets their product apart from the competition, but it could give you a better idea of which system is right for your company: A good salesman will always be able to tell you about the advantages of their product over their competitors'.

6. Get References From Vendors—and Elsewhere

If you ask for references from a vendor, they're likely to provide ones that will offer a glowing product review. That's OK—it's still worth the effort to reach out to those references and get their insight. You should also seek out the less-than-stellar reviews—but that can take some digging. Here are some tips for finding them:

- **Find third-party reviews.** You can find many reviews for ERP systems online. Over at Software Advice, we have [hundreds of verified user reviews](#) for the leading ERP systems.
- **Search news aggregators (e.g., Google News) and databases (e.g., LexisNexis) to find any recent news articles about the vendor.** The tech blogosphere is rife with stories about failed ERP implementations and questionable behavior on the part of the vendors.
- **Search court records for any filings involving the vendor.** In some cases, a failed ERP project will result in legal action against the vendor. While the vendor might not be at fault, it is worth investigating the nature of any prior or ongoing lawsuits the vendor is involved with.
- **Reach out to people in your industry who are currently using the systems on your short list.** Posting a discussion thread in a relevant LinkedIn group, for example, is a good way to crowdsource anecdotal experiences with the vendors in question.

This last point is critical: While every vendor has its runaway success stories (and probably a few horror stories), the vast majority of their clients probably had an experience that was somewhere in the middle—and those can be the most telling. It's similar to purchasing something on Amazon or reading a restaurant review on Yelp: It's the two- to four-star reviews, not the one- or five-star reviews, that usually provide the most honest, actionable information.

7. Make a Decision and Negotiate, Negotiate, Negotiate

It's time to crown a winner: Convene your exploratory committee and take an initial vote on which vendor to go with. If there are some stark differences in opinion, it would be advisable to hear both sides out, then determine where consensus lies and what can be done to accommodate any legitimate objections to a particular vendor.

Of course, it's business, not a democracy—but ensuring that everyone's voice is heard and their objections are taken seriously can go a long way in promoting end user buy-in once you begin implementing the new system.

Now that a choice has been made, it's time to begin negotiations. As we noted above, ERP vendors can be extremely tight-lipped about their pricing. But as you know, everything is negotiable in business: In many cases, you can negotiate a rate lower than sticker price. And perhaps most importantly, ensure you get every single promise and requirement fulfillment in writing from the vendor.

Get real reviews from real users of ERP systems

Read user reviews

Conclusions: Software Selection Is the Easy Part

By now you should have a better idea of how to select an ERP system for your organization. Here are some key takeaways:

- **Form a selection committee comprised of mission-critical employees and IT staff. Ensure all voices are heard, and carefully evaluate unique needs within their departments.**
- **Determine which capabilities you absolutely need in a new system, and which you can live without.**
- **Do your homework on vendors: Read reviews, contact references and search to see if they've had any recent bad press.**

Selecting a new ERP system is quite an endeavor—and implementing that system after purchase is a whole different ball game. Be sure to read our guide on [How to Prevent ERP Implementation Failure](#) before undertaking this process.

And if you just need more help selecting an ERP system, Software Advice is only a phone call away. Contact our advisors at **(888) 234-5187**.

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References

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