Work in **process**

BY MICHAEL BURNS

USING TECHNOLOGY TO IMPROVE THE WAY YOU DO BUSINESS

System selection, done right — Part 2

Last month we kicked off a series of articles to set you on the right track toward a new ERP system. We looked at the first phase of the process — meeting with the buyer, setting out the project scope and sending out requests for proposals (RFP) to vendors. The next step is to compare the proposals when they come in two or three weeks later.

To make the options clear, we draw up a report showing all the solutions side by side. For each requirement in the RFP, the vendors have to mark down a number from one to seven indicating how well their solution fits the need. The higher the number, the better the fit. Seven means the requirement (e.g., foreign-currency translation) is fully addressed in the primary system. This is usually referred to as out-of-box functionality. Zero means the function is not available.

We are often asked whether the vendors' responses can be trusted. Generally, yes. For one thing, the requirements are very specific; for another, the vendors know they will be caught if their responses are inaccurate.

Typically, we select four vendors for the next round, where we ask them to make a two- to three-hour Internet presentation. We give them a certain number of minutes for each topic — 15 minutes for general ledger and financial reporting, 10 minutes for accounts payable, etc. Based on this demonstration, two or three vendors are selected for an on-site demonstration (called the proof of concept), where they show how their solutions would improve the existing business process.

It is worth noting that we do not prepare the to-be business process for our clients. Vendors already have processes embedded in their solutions based on their experience with other companies in the same or similar industries. We believe it is more practical and cost effective to leverage these processes than to reinvent them, even though some tweaking might be necessary.

Usually one vendor comes out on top after the proof of concept demonstration, but the contest is not over yet. We usually ask each contender for two to three references from companies that are similar in terms of size and industry.

Last but not least is contract negotiation. This starts with the first estimates given by the vendor and heats up at the end. Vendors are generally prepared to offer major discounts on their licences, but not on their implementation or maintenance fees. We recommend asking them to break out the implementation costs by module being implemented (such as accounts payable) and also by task (such as training).

Even after all this analysis, there might still be some unknowns, and the vendor might not be prepared to offer a firm price for the implementation. We recommend asking the vendor to come in for a paid consulting engagement to

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get a better sense of your business and people. After this, you should get a firm price for the implementation and a detailed project plan.

The whole selection process will take a minimum of three to four months, with most of the time allocated to waiting for the vendors to respond to the RFP and preparing for the demonstrations. We are very sympathetic to vendors that go through this rigorous selection process. They can spend a lot of time only to find they were unsuccessful. The least we can do is give them time to respond to all our requests.

Next month, look for our annual business intelligence survey. In May, we'll examine the various roles in the software-selection process: sponsor, project manager, etc.

For an expanded version of this article, visit www.camagazine.com/systemselection2.

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