
Your First ERP – A practical buying guide

Scope, Sourcing & Implementation

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Introduction

Turnstone are niche experts in IT, sourcing and due diligence.

We have a strong commercially led ethos.

We are pleased to present our findings on ERP projects, and to pose some important questions.



ERP Benefits

1. Integrated modules avoid the duplication errors with multiple systems
 2. Increased automation allows more staff time on “value added” activities
 3. Better decision making, rapid reporting over the whole enterprise
 4. Faster month end
 5. Digital ready, with ability to link outwards to customers and suppliers
 6. Unified processes for all staff, data visibility
 7. A simpler IT estate, with less integration and complexity
 8. One set of accurate master files – Suppliers, Customers, Items, Pricing & Discounts
 9. A wide range of user definable parameters to facilitate flexibility
10. Example ERP linked transactions:-
- *Invoice an order, with that customers agreed pricing & terms, track through to cash receipt*
 - *Approve a supplier invoice, against the agreed PO*
 - *Timely update of the GL when services deployed or when stock moves*
 - *Single view of the customer CRM – profitability, history*
 - *HR single data entry point, controllable access to data*



ERP Modules – which in scope?

Financials

- GL
- Fixed Assets
- Cash Mgmt
- Budget & Forecast
- Cost Accounting
- Inter - Company

Sales & Receivables

- Order Management
- Pricing & Discounts
- Customer Invoicing
- Accounts Receivable
- Returns
- Customer List

Purchase & Payables

- Accounts Payable
- Supplier Invoices
- Purchasing & PO's
- Supplier List

CRM

- Marketing Automation
- Sales Management
- Telemarketing
- Sales Force Automation
- Service Management
- Email integration

Analytics

- Report Builder
- Business Intelligence
- Business Analytics

HR

- Recruitment
- Performance Mgmt
- Compensation & Ben
- Training & Dev
- Attendance
- Payroll

Web Portal

- Employee
- Customers
- Sales Person
- Suppliers

Admin

- User Management
- Business Connectors
- Configuration Tool
- Backup & Restore

Inventory

- Item master
- Stock levels
- Logistics- In&Outbound
- Barcodes
- Lot control

Planning

- Demand Planning
- Supply Planning
- Capacity
- Finite Loading

Production

- Bill of Material
- Production Orders
- Routing
- Shop Floor Control
- Lean

Options

- Enterprise Asset Mgmt
- Projects
- Travel
- Quality
- Compliance



Your IT Position?

10 questions on the current landscape:

<i>1. Is there much re keying of information?</i>	
<i>2. How responsive are current systems to support new business ideas?</i>	
<i>3. Is there much reliance on Excel?</i>	
<i>4. Any regular problems e.g. invoicing accuracy, slow month end or supplier payments?</i>	
<i>5. Are there multiple sources of similar data?</i>	
<i>6. How efficient is overall reporting & MI?</i>	
<i>7. Are system upgrades problematic, or integration difficult between systems?</i>	
<i>8. Is system reliability ever a problem?</i>	
<i>9. How well documented are IT systems?</i>	
<i>10. Is there demand to link to customers, suppliers or other stakeholder systems?</i>	



Supplier Market – Examples

Epicor	Infor	Microsoft	Oracle	SAP
<ul style="list-style-type: none">•Products aimed at manufacturing, distribution, retail and services industries•Long history of reputable products•Over 20,000 customers, 140 countries, 30 languages•Reasonable VAR channel•Several strong industry solutions•ERP consultant strength•MS/SQL/SOA technology•Low to moderately priced	<ul style="list-style-type: none">•Over 70,000 customers•Several different ERP systems - vertically focused•Strong SMB/mid-market solution•Lean manufacturing capabilities•Complex and discrete manufacturing•Process manufacturing•Strong distribution and SCM•Low to moderately priced	<ul style="list-style-type: none">•Strong SMB/mid-market solution•Very strong partner channel•Only sold through VAR channel•Multiple ERP products•ERP road map questionable•Solutions often vary by global region•MS/.Net/SQL technology•Low to moderately priced	<ul style="list-style-type: none">•Claim #1 CRM market share leader•#2 ERP market share leader•30 year proven credibility•SOA architecture•Deep software functionality• Good flexibility•Technology is the Oracle stack•Priced at the high end	<ul style="list-style-type: none">•More than 35,000 customers, 120 countries•Claim #1 CRM market share leader•Built the client/server ERP market•#1 ERP market share leader•Strong distribution/SCM•Several industry solutions•Priced at the high end



Implementation Pitfalls

Historical statistics

- **93%** of ERP implement take longer than expected
- **59%** of implementations cost more than initially assumed
- **57%** of companies suffered operational stoppages



Sign in Kingston Hospital A&E

Many implementation issues are rooted in the selection process, requirements definition and acceptance criteria / SLA's negotiated with the winning provider.



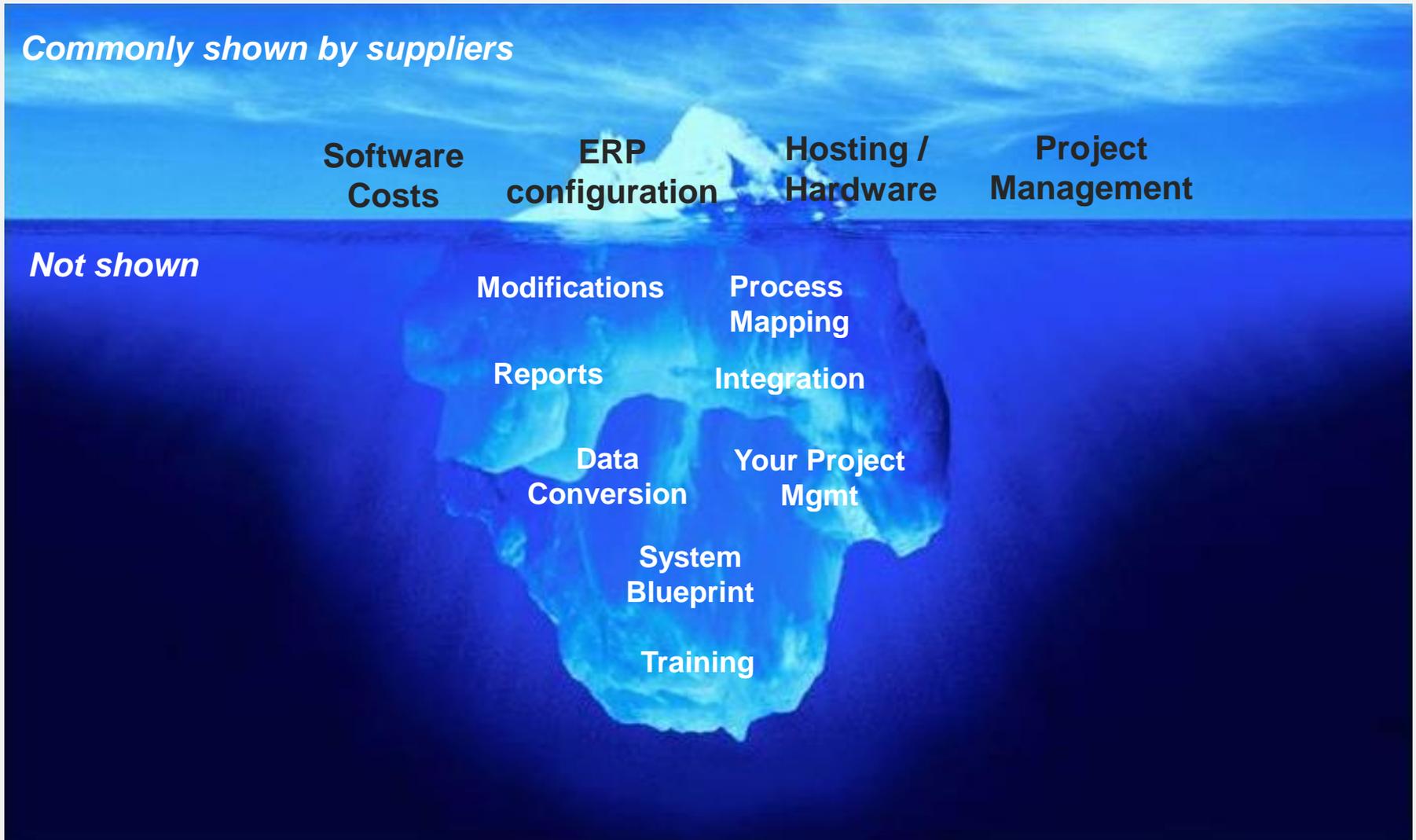
Bad Sourcing – how not to choose your ERP

It's common / human nature for these to happen – but there are consequences:

<i>“Let’s just meet and greet bidders”</i>	<ul style="list-style-type: none"> Incomparable bids There can be from 30 to 100 choosing factors Selection based on some, not all
<i>The Favourite (incumbent/ approached / stakeholder knows)</i>	<ul style="list-style-type: none"> Unlikely to be best fit Good to include in a competition Weak position to negotiate cost
<i>The under resourced selection exercise</i>	<ul style="list-style-type: none"> Not an add on to someone’s day job Critical purchase, investment for 5-10yrs Major benefits to doing it well, % of project budget
<i>“We can do it faster, no time for sourcing”</i>	<ul style="list-style-type: none"> Costs much more time later Sourcing professionals save money (~30%) Avoid the cost iceberg (see over)
<i>“Let’s start now on an LOI”</i>	<ul style="list-style-type: none"> Gives away ability to negotiate a better position ERP T&C’s >100 terms, Schedules have more Default position favours supplier(s), always



Cost Iceberg



Good Sourcing

Choice of approach – RFP or Agile Sourcing



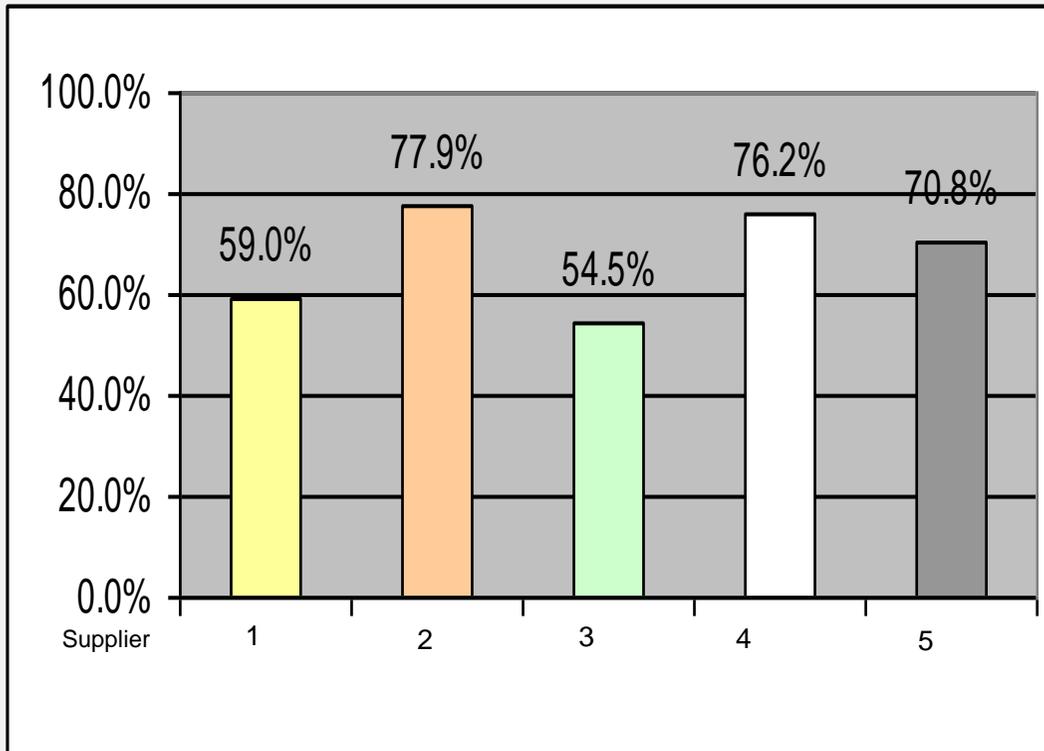
or



RFP Evaluation

Output: an objective % 'quality' score for each supplier, plus their costs

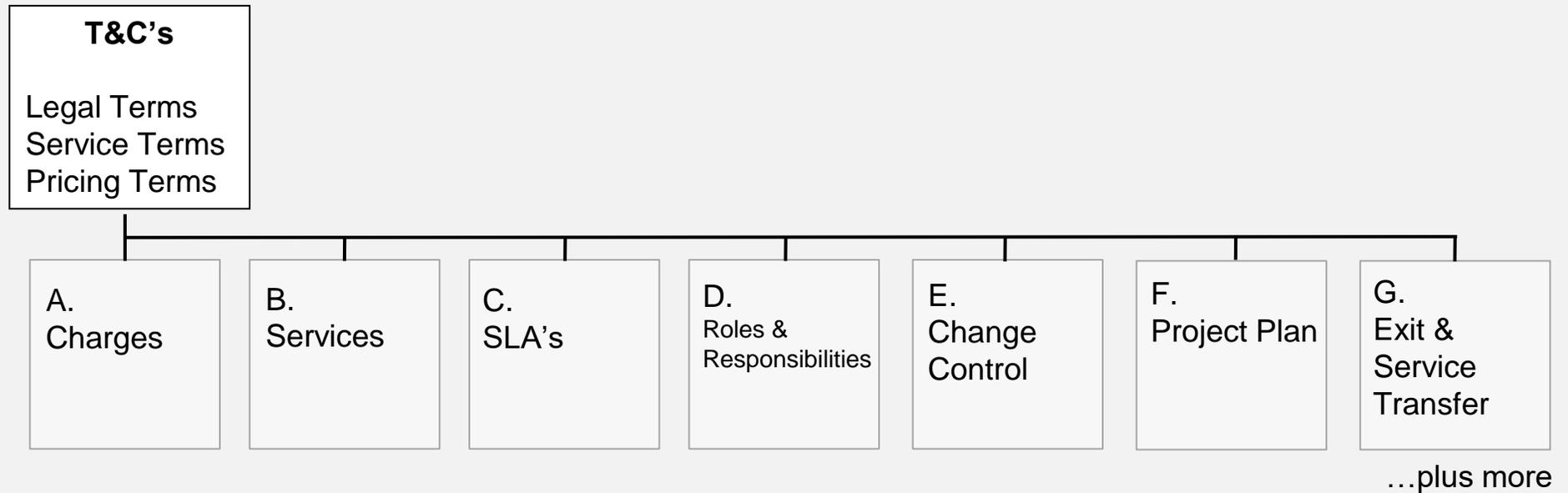
You can shortlist / select with confidence



- Team scoring suppliers bids
- Facilitating supplier Q&A
- Full costs breakdown
- Customer references
- Final evaluation report
- **Board paper for approval**



Solid Contract & 'Operationally useful' Schedules



- Converting RFP bid promises into black & white
- Links to Project plan
- Skill set 40% legal, 60% CIPS+
- Avoid the cost iceberg



Good Sourcing – the role

Client choice to DIY or use support if needed.

- Professional RFP builder & negotiator
- Selection covers many factors
- Covers the requirements, bid evaluation **and** contract / negotiation stages
- Ensures the right solution, at best price, on more favourable terms
 - *Not just the legal latin – it's operational & SLA's*
- Critical decision, major cost item



Business questions

1. How many users and sites?	
2. Are your business processes documented / flow charted?	
3. What are your current IT systems and costs?	
4. Roughly how many IT systems in use?	
5. Future growth & delivery of business plans?	
6. Importance of company valuation?	
7. Ease of future due diligence process	

These answers are useful for your business case and/or the sourcing approach.



Key Questions

1. ERP baggage?
2. Managing Change – track record?
3. Budget & resource expectations – for ERP project, for selection process?
4. Benefit Case
5. Board paper preparation

NEXT:

- > Review answers to all questions posed in this presentation
- > Turnstone sourcing support – project plan



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Appendix I - Governance

Turnstone are well versed in the real world intricacies of ERP implementations. They are one of the most demanding types of project.

ERP projects are set apart by these characteristics:

- They bring a business transformation to the whole company, in addition to a major IT change
- The importance of senior stakeholder awareness of the scale of change and business impact
- Several different phases to an ERP project which require their own approach

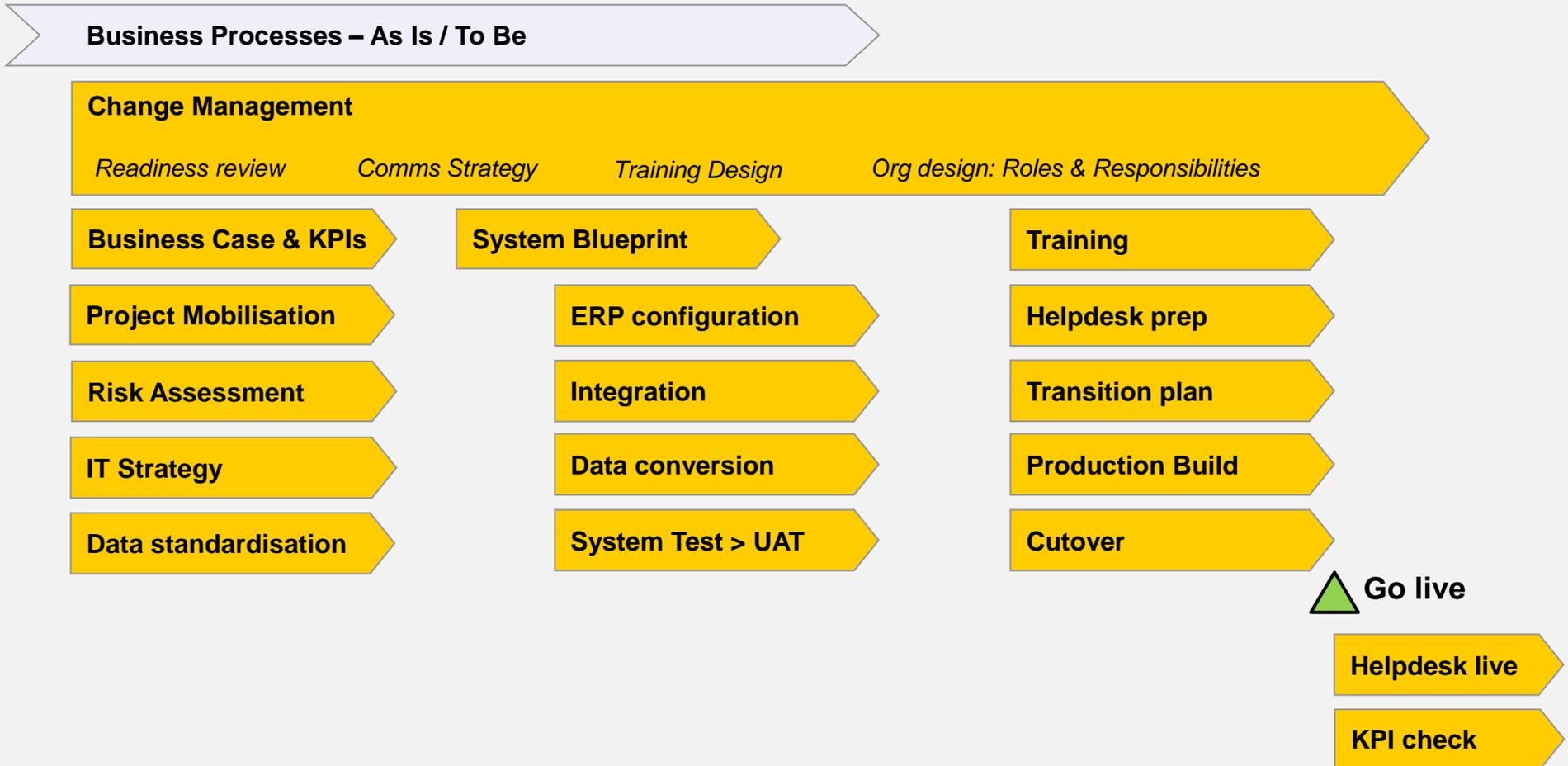
- Motivating resistant stakeholders, gaining time from key business users, assisting backfill
- Overseeing the uptake of client process maps and requirements into the configured system
- Strong grip on standard configuration vs modifications & change control

- The exponential effort and cost behind integration to other systems
- Scope control – pragmatism & impact of changes
- High level planning for board level / steer com decision making ('wood for the trees')



Turnstone ERP Implementation Methodology

Our methodology ensures a 360 degree coverage of all the factors critical to ERP success



Appendix II: When is an upgrade not an upgrade?

An ERP upgrade will be a minor / straightforward exercise as long as **all** of the following 7 conditions apply:-

1. *The Financial Chart of Accounts (CoA) remains the same?*
2. *Your current system has no modifications?*
3. *The data and data structures will remain the same?*
4. *User workflows / business processes don't need to change?*
5. *The upgrades won't impact interfaces to other systems (e.g. reporting tools)?*
6. *You have a single instance/version of the ERP?*
7. *The database and operating system(s) remain the same?*



If there are changes

If the upgrades are limited to bug fixes, performance improvements, screen enhancements or additional functionality, it should be an easy upgrade.

However if much time has passed since you went live, the 7 conditions listed are likely to have changed, meaning it's not a straightforward upgrade.

In particular, if there are *modifications*, *business process changes* or *new data structures*, these all represent significant areas of business effort to resolve.

They are not technical upgrades, regardless of what the vendor may say.

A major upgrade to an old ERP system can be as much work as a fresh ERP implementation.

>> It is important to understand any exposure in this area, and to reflect them both in the vendors contract, and the project planning for the exercise

