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PROCESS EXCELLENCE SERIES
ERP Selection Guide

RT&Co. Advisory Process and Quality Management
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INTRODUCTION

Implementing an Enterprise Resource Planning (ERP) System for the first time can be intimidating for Operations and Finance people especially if they don't have any formal training in Information Technology. The prospect becomes even more worrying because of so many stories told of failed implementations – all disturbing tales of years of effort and precious pesos wasted.

Still, an ERP journey seems inevitable for every fast-growing entrepreneurial company when its senior leaders realize that digitization, automation, streamlining and operational integration is the only viable path available. Sustainable growth needs to be enabled by real-time, reliable operational and financial information.

The decision on which ERP system to invest in requires careful thought about a lot of factors. An affordable off-the-shelf software may appear ideal for your Company's current situation, but does it have the scalable features that can accommodate anticipated business growth over the next three or four years? Can implementation be phased so that the functional areas in most need – be it Procure to Pay or General Accounting or some other department – can benefit quickly while the other business areas wait in queue? Can phased implementation affect the ultimate integration of end-to-end operations? How much training will Company personnel require to properly leverage the ERP investment? Can the vendor's maintenance and support commitments ensure that the software will provide seamless, worry-free benefit in the years to come?

If you need answers to your many questions, this easy-to-understand guidance is a good place to start.

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ERP SOFTWARE COMPARISON

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Introduction to ERP Systems

What is an ERP system?

An Enterprise Resource Planning (ERP) system is an application software that integrates various end-to-end processes that are essential to running a business, such as finance, supply chain, logistics, and human resource.

To some organizations, the terms ERP system and accounting system are used interchangeably. However, accounting systems generally cover only the back-end office recording functions, such as basic revenue and expense recording, accounts receivable and payable tracking, and financial reporting. ERP systems, on the other hand, are a comprehensive solution that covers multiple facets of the business operations.

It is handy to view accounting systems and ERP systems as falling into opposite ends of capability spectrum of software supporting business operations. Oftentimes, accounting systems are referred to as low-tier software solutions (Tier 3), with their limited functionalities, while full-scale ERP systems are top-tier solutions (Tier 1). Nevertheless, there is a middle ground of enterprise accounting software solutions, referred to as mid-tier software solutions (Tier 2).

The difference between Tier 1 and Tier 2 ERPs is a gray area, but is usually defined by the cost, number of end users supported, and available functionalities. Typically, top-tier systems are built for large enterprises. Unless specified otherwise, the features discussed in this guidance would be typical of software irrespective of the tier.

TIER 1
Enterprise Resource Planning System

TIER 2
Enterprise Accounting Software

TIER 3
Accounting Software

Key Features of an ERP System

Some of the key features that most Tier 1 and Tier 2 ERP systems offer nowadays include the following:

FINANCE AND ACCOUNTING
General Ledger
Accounts Receivable
Accounts Payable
Financial Reporting

SALES AND MARKETING
Sales Order Management
Quotations
Sales Forecasting
Customer Relationship
Management

HUMAN RESOURCE
Employee Management
Compensation and
Benefits Management
Timekeeping and Payroll

SUPPLY CHAIN MANAGEMENT
Procurement Management
Inventory Management
Material Requirements
Planning
Vendor Performance

MANUFACTURING
Production Planning
Job Scheduling
Distribution Planning
Bill of Materials

BUSINESS INTELLIGENCE AND REPORTING
Real-time (or near real-time)
Data Dashboards
On-demand Report Customiza-
tions
Data Analysis

Benefits of a Good ERP System

Some of the key features that most Tier 1 and Tier 2 ERP systems offer nowadays include the following:Having a good ERP system unlocks your business potential by delivering timely information necessary for effective decision making. It helps your organization:

- ✅ Increase the integrity of your data through automating processes
- ✅ Improve planning and utilization of resources, thereby reducing operation costs
- ✅ Improve cash and receivables management
- ✅ Enhance collaboration among business units when they act on the same information from the same database
- ✅ Simplify business monitoring and reporting for management, regulatory and other requirements

3 Phase Process

Implementing an ERP system often requires considerable time and money. Hence, selecting the right system for your company cannot be overstated. Whether implementing a top-tier, a low-tier software solution for your company or something in between, you will face the same challenges. This section provides a three-phase process to ensure that you will make the right choice for your organization.

Identify → **Evaluate** → **Select**
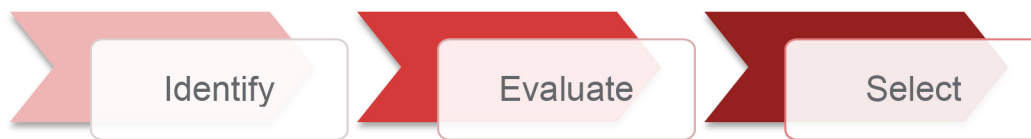
Identify

Before shortlisting any software solution, always clarify the need for a new system. The impetus for implementing a new system may include:

• The current system is too cumbersome to assist with the users' tasks. There is a glut of manual work-arounds and spreadsheets.

• The system cannot accommodate existing and/or future growth plans of the business

> **🔔 ACTION ITEMS: Identify**
>
> ❑ Ensure senior leaders' sponsorship of the implementation project
> ❑ Involve all key process owners and stakeholders in defining the functional needs
> ❑ Identify present and anticipated shortcomings as well as pain points to be addressed by the new system
> ❑ Methodically document all requirements in detail for a common understanding by everyone involved in the implementation

Collecting the requirements of business users and their stakeholders is essential. Each user needs to list the activities and functionalities that the system will handle. In preparing this list, the user has to envision the areas for improvement in the current processes that will not only streamline his work but will also optimize the use of the new system in terms of automation, control, monitoring and reporting.

It is important to involve various stakeholders in the organization to identify their specific requirements and areas of interest. Special knowledge areas, such as importation accounting and responsibility center controlling, must also be considered when identifying the business requirements.

This comprehensive list of requirements will later be used in discussions with system vendors.

Evaluate

While ERP systems cater to all common business processes, there are always specific needs that are unique to your industry, if not your business operations. This is a good starting point in trimming down the options out of the vast selection of ERP systems you can choose from. The vendors you short list may not necessarily be the largest ones because there are niche but established vendors that provide solutions catering your industry and understand your business needs and usual pain points.

Your shortlisted vendors will need to see your Terms of Reference (TOR) before they can offer specific services. The TOR aids the vendor in understanding your requirements and in highlighting the relevant functionalities of their system that best meet your needs. It is common for the ensuing discussions between you and the vendor to lead to system demonstrations that can help you visualize the use of the software and be comfortable with its interface.

It is important that you take the lead during the system demo. Be ready with a list of the functionalities you want the vendor to focus on. Ask the key users to be present to raise questions on possible scenarios that anticipate when using the system. Vendors will typically take the opportunity to upsell other functionalities that their system can offer – but be careful not be enticed into add-ons that are nice but not absolutely needed.

Vendor quotations should provide details of the license, implementation and other extraneous costs to implement and own as well as the annual cost of maintenance. These two figures represent the cost of ownership used for ROI computations.

ACTION ITEMS: Evaluate

- ❑ Shortlist vendors with an eye on solutions specific to your industry
- ❑ Document business and technical requirements into a handy Terms of Reference
- ❑ Invite vendors for software demonstrations based on defined scope
- ❑ Request for quotations for all vendors specifying costs to implement, own and operate
- ❑ Use a scorecard to evaluate technical and financial specifications for an apples-to-apples comparison

Make sure you have a systematic way for an apples-to-apples comparison of the vendors and the system they offer. Evaluate them based on their functionalities vis-à-vis your requirements, the vendor reputation as well as the overall economics of the purchase.

Select

A decision to select a vendor must be done objectively based on three broad factors: effectiveness of the software in meeting your requirements, the economics of the purchase, and your perception of the vendor's reliability.

Be prepared to commence contract negotiation soon after you select a vendor. Anticipate if you will need an independent third-party to perform a post-implementation quality review before software acceptance and make sure your vendor knows about this at the onset.

Ensure that the contract properly documents what is being purchased, and what are the roles and responsibilities of each party before, during, and after the software implementation process. Have your legal team review your contract to make sure that your interests are well protected, and that you get the best deal.

🔔 ACTION ITEMS: Selection

- Award system vendor based on the evaluation results
- Agree with your vendor the terms of the system purchase and implementation
- Agree on the conditions for software acceptance
- Document all vendor commitments and warranties in the contract
- Have your legal team review your contract with vendor to ensure sufficient provisions to protect your interests are included

Some Useful Tips

✅ Create a prioritization matrix for your requirements as no single system may be able to accommodate them all. You may drop some of these requirements but make sure to keep those that are critical for your business processes.

✅ Designate a single point of contact with the vendors with the sole authority to speak on behalf of the implementation team.

✅ Schedule as many meetings with the vendors as necessary to ensure that they fully understand your business and your requirements. Make sure they have answers for all of your questions.

✅ Consider engaging consultants to help with ensuring the completeness of your requirements (especially for the specialized knowledge areas) but be mindful that you remain responsible for articulating and agreeing vendor commitments.

✅ Always obtain Project Steering Committee guidance at every key phase of vendor selection and subsequent vendor implementation.

Key Selection Factors

In selecting an ERP system software, various factors come into play. As the acquisition and implementation of digital technologies may require substantial investment, it is vital that the selection is done systematically and with sufficient safeguards.

Some key selection factors that can help you make the best decision which platform to choose for your back-office operations are explained in this section.

#1 Usability

While recent events have displayed the world's tightening embrace of digitalization, this has not necessarily resulted in the digital literacy of today's workforce keeping in-step. Now more than ever, non-technically inclined users need a system that is both intuitive and friendly in design.

#2 Ease of Implementation

Another factor to consider is the system's ease of implementation. The project will always impose tasks on the Company's workforce on top of their "business-as-usual". It is best to clear up the project timescales to ensure that the Company has the required capacity to see the project through. Anticipate possible source of costly delays to deployment so that these can be mitigated.

#3 Scalability

The company's growth potential is a major consideration when selecting a system. From expansion of market channels, to the addition of users, to the introduction of new business units, the system must be scalable to cater to the growing needs without disruption.

The last decade has seen the increasing use of cloud technology for many entry-level accounting systems. This has almost exponentially enhanced their ability to compete on scalability and flexibility.

#4 Customization

While basic accounting functions are the same regardless of the industry within which a company operates, there are always specific business requirements that may not be met with the out-of-the-box version of a system. To varying degrees, a system can be configured to meet those needs usually without costly customization, often with minor adjustments to the underlying business process.

Today, there are numerous Tier 1 and 2 ERP systems that have custom versions for particular industries (e.g. manufacturing, food and beverage, banking, construction services, etc.). Inquire whether the system you are considering offers such a custom version to get around the time-consuming and sometimes troublesome need for customization.
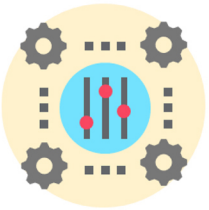
#5 Integration Requirements

As a minimum, an ERP software should provide transaction processing information and generate the related accounting records. These transactions may be initiated in different modules or even in a separate system. The ERP system's integration capabilities should facilitate seamless transmission of data within the business information ecosystem without need of manual intervention. It is important that you check with the vendor that the product offered can allow the integrated operation.

A common need is the integration of a point-of-sale system and the general accounting module/ software. Through integration, the POS sales recorded are automatically fed to the accounting module thereby improving operational efficiency and reducing data and process redundancies.

#6 Cost

Budgets are an important consideration to any project. The ERP project should pay for itself sooner rather than later.

Implementation costs (including customization, integration and data migration costs) and license fees as well as user acceptance testing support and post-implementation quality reviews are some of the costs expected to be incurred in a system implementation.
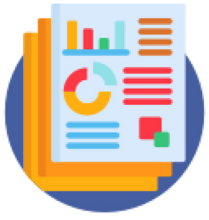
#7 Reporting Features

Financial reports for regulatory compliance and filing and management reports for internal decision-making should be available for generation in the software of your choice. The company should look at the adequacy of the available standard reports and the ease of preparing custom reports in the system.

Data analytics capabilities are now a rising trend in systems across the different Tiers. Dashboards and insight generators allow accounting users to interpret and explain the results more easily.
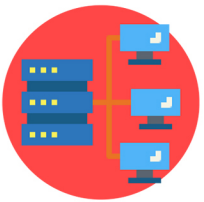
#8 Infrastructure

Today, three variations of infrastructure options are available:

On-premise
In an on-premise set-up, the accounting system is installed locally on the company's own servers. The company, hence, shoulders the acquisition and maintenance costs of these hardware, including the cost of IT operating personnel.

Cloud
In a cloud set-up, the system is hosted remotely/ on the solution provider's servers and is accessible through web browsers. Availing cloud infrastructure commonly entails payment of annual subscription for the use of the vendor's servers.

Hybrid
In a hybrid set-up, the ERP system is still hosted on the solution provider's servers, however, there may be some company legacy application and data that the company prefers to be maintained on-premise and not in the cloud. In this set-up, the company shoulders the acquisition and maintenance costs of the servers it maintains on-premise and also pays subscription fees for the infrastructure availed from the vendor (e.g. Networking, Storage, Server, Virtualization)

#9 Mobile Access/ Accessibility

The use of mobile devices for business is becoming ubiquitous, complementing the access to accounting systems and relevant reports in the workplace. Real-time access to systems regardless of location can provide a competitive edge to the company. Mobile access facilitates more efficient processing and execution of business activities by reducing administrative lead times and friction.
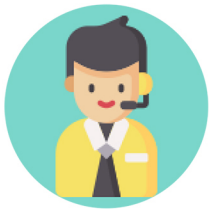
#10 Customer Support

A new system implementation should allow the introduction of new business monitoring tools for the company to utilize. However even with a successful implementation, there will always be issues, unexpected errors and hiccups that occur further down the road. These make continued customer support an important factor to consider in the selection of the system. You have to ensure that the vendor offers the most convenient, accessible, and competitive support to cater your needs.

#11 Security

As companies advance towards process streamlining and digital transformation, unseen threat actors devise malicious attacks to undermine your company's technology infrastructure. Security at network-level is no longer sufficient in most cases. To maintain the confidentiality, integrity, and availability of the data your company processes, it is essential to ensure that security features are designed and embedded at the application-level.

The system must have role-based access and other access security features to ensure that only authorized employees are provided with access to the system. Cryptographic controls must likewise be available in the system ensuring that the data at rest and data in motion are encrypted and are not readable when in the hands of malicious actors. The system must also have the capacity to log access times and attempts and trails of transactions recorded and processed. System logs should allow periodic review to discover unauthorized use.

#12 Functionalities

Every business is unique, and the choice of ERP software is often not an open and shut affair. The character of the business looms large in the selection process. To illustrate, some of the complex functions that may need to be considered are as follows:

International operations
Operating globally requires greater functionality. Firstly, there should be a capacity to handle transactions in multiple currencies and translate these to your functional currency for financial reporting purposes. Your system should also support various languages as required in the locations you operate in. Lastly, international operations entail operating under different legal jurisdictions, each requiring adherence to specific compliance requirements.

Inventory management
The complexity of system configuration mirrors the complexity of configuration of inventory management in the system. This includes warehouses, storage locations, the level of granularity of details required for inventory monitoring, and inventory planning requirements (e.g. safety stock levels, re-order points, etc.). The proper configuration of inventory management within the system makes it easier for the company to achieve inventory optimization across multiple business units.

Regulatory requirements
Compliance to regulatory requirements cannot be overstated in system selection decisions. The Data Privacy Act of 2012, for one, compels security over personal information processed by your company. Noncompliance will not just have reputational repercussions but can also prove to be costly to the company. Further, tax rules within the system must be aligned with the requirements of the Philippine taxation laws and the corresponding tax regulations in other countries your company operates in. In this respect, some applications have ready customization for Philippine tax laws.

Intercompany Transactions
If your company belongs to a group of affiliated companies, intercompany transaction processing capabilities may be an important system feature for you. Utilizing a common system across different companies allows seamless communication and recording of upstream and downstream transactions. Beyond that, you would want to consider the system's consolidation capabilities to facilitate your consolidated financial statements preparation.

> " *If your processes are broken, implementing ERP will only compound your problem, not solve them.* "
> Caesar Parlade | Partner, Digital Transformation Services

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ERP Software Comaprison

This section provides a comparison of common ERP software available in the market based on the following criteria: customer suitability, functionalities, and pricing. Data used in this comparison are from available secondary information sources and can be used as initial reference when shortlisting prospect ERP systems. The information will nonetheless need to be confirmed through a more formal data search.

Customer Suitability

	Small Business (1-250 employees)	Medium Size (251-1000 employees)	Enterprise (1001+ employees)
Acumatica	✔	✔	✘
Deltek Vision	✘	✔	✔
Epicor ERP	✔	✔	✔
Infor ERP	✔	✔	✔
Microsoft Dynamics 365	✔	✔	✘
Netsuite ERP	✔	✔	✘
Odoo Online	✔	✔	✔
Oracle ERP Cloud	✔	✔	✔
Sage Intacct	✔	✔	✔
SAP Business By Design	✔	✔	✔
SAP ERP	✘	✔	✔
SAP S4/HANA	✘	✔	✔
Syspro ERP	✔	✔	✔
Xero			

ERP Software Comaprison

Business Sector

	Government and NGO	Manufacturing	Retail	Service
Acumatica	✔	✔	✔	✔
Deltek Vision	✕	✕	✕	✔
Epicor ERP	✕	✔	✔	✔
Infor ERP	✔	✔	✔	✕
Microsoft Dynamics 365	✕	✔	✔	✔
Netsuite ERP	✔	✔	✔	✔
Odoo Online	✔	✔	✔	✔
Oracle ERP	✔	✔	✔	✔
Sage Intacct	✔	✕	✔	✔
SAP Business ByDesign	✔	✔	✔	✔
SAP ERP	✕	✔	✔	✔
SAP S4/HANA	✔	✔	✔	✔
Syspro ERP	✕	✔	✔	✕
Xero				

ERP Software Comaprison

Functionalities

	Accounting	Billing	Business Intelligence	CRM
Acumatica	✔	✔	✔	✔
Deltek Vision	✔	✔	✔	✔
Epicor ERP	✔	✔	✔	✔
Infor ERP	✔	✔	✖	✔
Microsoft Dynamics 365	✔	✔	✔	✖
Netsuite ERP	✔	✔	✔	✔
Odoo Online	✔	✔	✖	✔
Oracle ERP	✔	✔	✔	✔
Sage Intacct	✔	✔	✔	✖
SAP Business ByDesign	✔	✔	✔	✔
SAP ERP	✔	✔	✔	✔
SAP S4/HANA	✔	✔	✔	✔
Syspro ERP	✔	✔	✔	✔
Xero	✔	✔	✔	✖

ERP Software Comaprison

Functionalities

	Human Resource	Inventory Management	Order Management	Planning and Scheduling
Acumatica	✔	✔	✔	✔
Deltek Vision	✔	✔	✖	✔
Epicor ERP	✔	✖	✖	✔
Infor ERP	✖	✔	✔	✔
Microsoft Dynamics 365	✖	✔	✔	✔
Netsuite ERP	✔	✔	✔	✔
Odoo Online	✔	✔	✔	✔
Oracle ERP	✔	✔	✔	✔
Sage Intacct	✖	✔	✔	✖
SAP Business ByDesign	✔	✔	✔	✔
SAP ERP	✖	✔	✔	✔
SAP S4/HANA	✖	✔	✔	✔
Syspro ERP	✖	✔	✔	✔
Xero	✖	✔	✔	✖

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ERP Software Comaprison

Functionalities

	Project Management	Purchasing	Sales	Supply Chain Management
Acumatica	✔	✔	✔	✔
Deltek Vision	✔	✔	✘	✘
Epicor ERP	✔	✘	✔	✔
Infor ERP	✔	✔	✔	✔
Microsoft Dynamics 365	✘	✔	✔	✔
Netsuite ERP	✔	✔	✔	✔
Odoo Online	✔	✔	✔	✘
Oracle ERP	✔	✔	✔	✔
Sage Intacct	✘	✔	✘	✘
SAP Business ByDesign	✔	✔	✔	✔
SAP ERP	✔	✔	✔	✔
SAP S4/HANA	✔	✔	✔	✔
Syspro ERP	✔	✔	✔	✔
Xero	✘	✘	✘	✘

Pricing

Information on this section was obtained from publicly available resources, including the vendor's published rates in their websites. Prices may have changed from the time such information was gathered.

	Pricing Model	Cost	Additional Details
Acumatica	Consumption-based pricing	Not available	Price is dependent on the resources used
Deltek Vision		Not available	Quote-based pricing
Epicor ERP	Monthly subscription	$175 / user	
Infor ERP	Monthly subscription	$150 / user	
Microsoft Dynamics 365	Monthly subscription	Starts at $65 / user / module	Pricing is done for each module availed
Netsuite ERP	Monthly subscription	$999 for base license	Additional $99 / user / month
Odoo Online	Monthly subscription	$28 / user	
Oracle ERP	Monthly subscription	$625 / user	
Sage Intacct	Annual subscription	Not available	
SAP Business ByDesign	Monthly subscription	$149 / user	
SAP ERP	Perpetual license	Not available	One-time license fee with annual support service fee
SAP S4/HANA	Monthly subscription	$220 / user	
Syspro ERP	Monthly subscription	$199 Cloud/SaaS	Quote-based pricing for on-premise deployment
Xero	Monthly subscription	Starts at $20	Price may increase based on add-ons availed

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As the Coronavirus continues to impact the global economy, businesses are experiencing unprecedented disruption. From supply chain issues and diminished workforce mobility, to severe supply chain interruption, the threat to organizations is real and intensifying steadily.

To find out more about the current Coronavirus impact, please contact us to access resources available within our extensive global network.

CORONAVIRUS
GLOBAL RESOURCE CENTRE

RSM

This guidance is not meant to provide any company-specific recommendations on ERP system implementation. Should you require more specific assistance on this subject or about process quality reviews in general, please do not hesitate to reach out to our Advisory Services team.

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