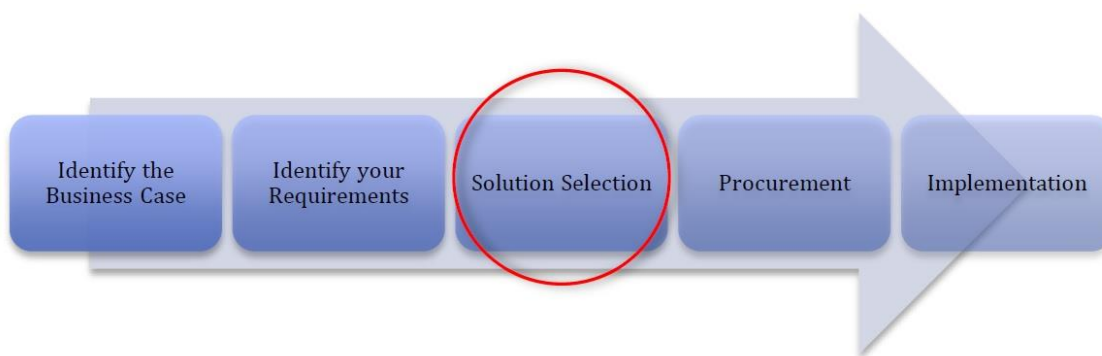




## Quick guide: Selecting an IT solution for your Business

This Quick Guide is part of a series of information products to assist small to medium sized enterprises purchasing an Information Technology (IT) solution. This Guide focuses on businesses purchasing an Enterprise Resource Planning (ERP) system. An ERP system manages the flow of business information across all parts of the business. This includes management of financial, production, service and customer information and activities.

The aim of this Quick Guide is to help businesses make the right purchasing decision by providing a structured approach to the product selection process.



### The Process of Selecting an IT Solution

The process of selecting an IT solution for your business started when you developed your business case. It was at that stage that you identified the issues that you want to be addressed, the business objectives you want to achieve and the budget you anticipate having to spend. After identifying your business requirements, this next stage involves investigation and review of the product options available.

This process does not need to be sophisticated but it does need to be thorough. The following provides a practical framework for how to go about the product selection process. It ensures you will have undertaken appropriate due diligence to reach your decision and that your decision is well informed with the best chance of success.

#### Step One: Market Scan

The first step involves undertaking a market scan – understanding and identifying the products and vendors in the market that are relevant to your search. This involves:

- Researching the Internet
- Talking to your business peers
- Researching relevant trade magazines
- This is also a useful education process for you. While it is initially a very steep learning curve, it helps build your knowledge, which will better equip you to talk to vendors down the track.



## Step Two: Identify Selection Criteria

In selecting an IT solution you must be clear about what you need and the parameters that will shape your decision. Suggestions for the scope of criteria to consider are listed overleaf.

### Criteria relevant to the solution:

- The functional scope and features of the solution and the extent to which these match your Business Requirements
- The implementation models on offer, for example your preference for an onsite client server or cloud implementation of your software (see below)
- The type of licensing model applied by the vendor, and if ongoing access to the product is dependent on payment of an annual license fee
- Cost relative to the budget identified in the Business Case
- Overall value for money balancing functionality, cost, ongoing support and license fees
- Assurance that there are no 'hidden costs'
- Training and support options, for example access to help desk and support tools and the training services available, including access to online training options
- Ongoing product development and enhancement - how often and how are these passed on to the customer
- The ability of the solution to integrate with other systems and infrastructure
- Supporting infrastructure requirements such as servers, PCs etc. and this impacts your intended investment
- User friendliness
- Ability to customise the solution
- The extent to which the product supports a paperless solution

### Criteria relevant to the vendor:

- The size and longevity of the vendor company
- Has the product been developed in Australia and does it incorporate specific compliance or regulatory features required by the business
- Is the vendor Australian based and/or does it have a distribution network in Australia
- The reputation of the vendor
- The extent to which the vendor is prepared to offer reference sites and/or the opportunity for you to talk to their other customers to gauge their satisfaction with the product or service you are interested in purchasing



## Step Three: Develop an Evaluation Framework

Developing a simple evaluation framework will help you assess the products you identify and compare them with each other. The simplest approach is a two-stage process, which evaluates each product individually followed by a comparative analysis based on the same criteria.

**Stage One** involves evaluating a solution against the selection criteria. The following matrix is an example of how this can be documented.

Reviewer:	Date:		Vendor:	
Evaluation Criteria	Weighting	Rating	Weighted Score	Comments
<b>1. Functions/Features</b>				
• General Ledger	3	3	9	Excellent functionality
• Purchase Orders	3	2	6	Good
• Payroll	3	0	0	No payroll function
• Accounts receivable	3	3	9	
• Job Costing	3	3	9	
<b>2. Value for money</b>				
• Cost of licenses	3	1	3	Overpriced
• Support costs	2	3	6	
• Implementation cost	2	1	2	Over priced
<b>3. Deployment models</b>				
	2	0	0	Does not offer cloud solution
<b>4. User Friendliness</b>				
• Easy to use	3	2	6	
• Intuitive navigation	2	2	4	Quite intuitive
<b>TOTAL SCORE</b>		<b>20</b>	<b>54</b>	
<b>MAXIMUM SCORE POSSIBLE</b>		<b>33</b>	<b>84</b>	

**Key:**

*Weighting* 3 = Essential 2 = Desirable 1 = Nice to have

*Rating* 3 = Exceeds requirements 2 = Meets requirements 1 = Partially meets requirements 0 = Does not meet requirements

*Weighted Score* Weighting X Rating

**Stage Two** involves a comparative analysis of solutions against the same evaluation criteria.

Reviewer:	Solution 1		Solution 2		Solution 3		
Evaluation Criteria	Weighting	Rating	Score	Rating	Score	Rating	Score
<b>1. Functions/Features</b>							
• General Ledger	3	3	9	3	9	2	6
• Purchase Orders	3	2	6	3	9	2	6
• Payroll	3	0	0	3	9	3	9
• Accounts receivable	3	3	9	2	6	2	6
• Job Costing	3	3	9	2	6	3	9
<b>2. Value for money</b>							
• Cost of licenses	3	1	3	3	9	3	9
• Support costs	2	3	6	3	6	3	6
• Implementation cost	2	1	2	2	4	3	6



Reviewer:		Solution 1		Solution 2		Solution 3	
Evaluation Criteria	Weighting	Rating	Score	Rating	Score	Rating	Score
3. Deployment models	1	1	0	3	3	2	2
4. User Friendliness							
• Easy to use	3	2	6	3	9	2	6
• Intuitive navigation	2	2	4	3	6	2	4
<b>TOTAL SCORE</b>		<b>20</b>	<b>54</b>	<b>27</b>	<b>76</b>	<b>24</b>	<b>69</b>
<b>MAXIMUM SCORE POSSIBLE</b>		<b>33</b>	<b>84</b>	<b>33</b>	<b>84</b>	<b>33</b>	<b>84</b>

Based on applying the criteria, weighting and scoring model, Solution 2 appears to be the best fit for the business.

## Step Four: Shortlist the Top Contenders

Using the criteria and evaluation framework you have developed, shortlist the solutions that achieve the highest scores. These are the ones that best meet your requirements according to your evaluation criteria.

## Step Five: Test and Trial the Solutions of Most Interest

Step Five can be done in parallel with Steps Three and Four and might be done a second time when you are close to making your decision. It involves testing and trialing the products you shortlist for closer consideration. This enables you to:

- test that the solution fully meets your business requirements
- identify gaps in functionality and/or additional features you can leverage
- assess how well the solution fits with your business processes (and where these may need to change)
- identify the areas you may need to customise to your business

### Tips:

- Before you ask a vendor to give you a demonstration of their product, provide them with information about your business such as what is driving your need for a new IT solution and the current issues, bottlenecks and risks you need to manage.
- Don't just give vendors a block of time to "present the solution". Brief them on exactly what you and your team want to hear about and see
- At the most basic level you need to see the product in action. This usually means a demonstration by the vendor. Ideally this should involve you having the opportunity to use and test the solution/product yourself.
- In some instances, vendors offer potential customers a free, no obligation trial of their product. This is typically advertised on a vendor's website, but where it is not, this request should still be made directly to the vendor.
- Provide the vendor with scenarios relevant to your business in advance and ask them to demonstrate how their solution will manage these scenarios in your business.



- Make sure you ask vendors about what's involved in configuring the solution to deliver the scenario. This will provide insight into what components of the solution you need and the level of effort required to make their system work for you.

## Step Six: Request Reference Sites and Referees from the Vendor

Before you make your final decision, it is advisable to ask vendors for reference sites where they have implemented a similar solution for a customer. Ideally this is a business that is in the same broader industry, is similar to yours or has experienced similar issues. When following up reference sites it is useful to check their experience with (i) the product, and (ii) the vendor.

### Solution Deployment Options

These days there is much greater variety in terms of how IT solutions can be deployed. Solutions can be deployed:

- (i) on a server controlled by the business and located on their premises;
- (ii) on a server that is hosted by a third party; or
- (iii) as a cloud based service. In this instance the business effectively 'rents' the solution, which is hosted and maintained by a third party provider.

Cloud based solutions are increasing in popularity. They offer some real advantages for small to medium sized business including:

- no or significantly reduced up front capital costs for hardware and software infrastructure;
- fast deployment;
- no requirement for in-house support expertise to keep the solution operational and up to date;
- ability to scale up capacity as and when needed.

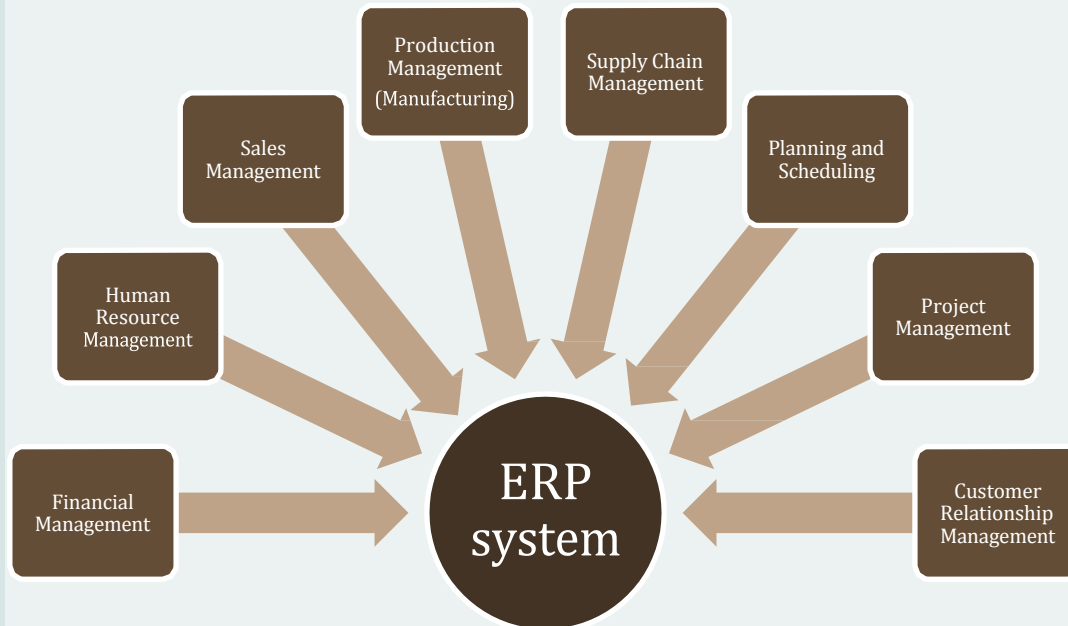
## A Closer Look at Selecting an Enterprise Resource Planning System

Outlined below is a high level summary of the scope of functions typically included in an ERP system. The detailed functionality of the system under each of these headings (or similar ones) is what the business needs to assess when choosing a solution.

Knowing what your specific requirements are is crucial to make your selection decision. These requirements will form an important part of your selection criteria and help you distinguish the different options on the market.



## Typical Features of an ERP Solution



Also, think about the nature of your business when purchasing an ERP system. Some products are well suited to manufacturing, whereas others are a better fit for service industry companies. Some cater for both. It is important to remember that not all ERPs are the same even if they advertise standard areas of functionality. You need an ERP that suits both the type of business you do and the requirements specific to your business.

### Typical Price Brackets:

- Tier One: \$150,000+
- Tier Two: \$80,000 - \$150,000
- Tier Three: As low as \$10,000 but typically \$15,000 - \$60,000

## Further information

Visit the business website at [business.gov.au](http://business.gov.au).